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SAN FRANCISCO PORT COMMISSION

Leslie Katz, President
Willie Adams, Vice President
Kimberly Brandon, Commissioner
Mel Murphy, Commissioner
Doreen Woo Ho, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax 415-274-0412

AGENDA TUESDAY, FEBRUARY 11, 2014 3:15 P.M. OPEN SESSION

PORT COMMISSION HEARING ROOM, SECOND FLOOR FERRY BUILDING, SAN FRANCISCO CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.

1. CALL TO ORDER / ROLL CALL

2. APPROVAL OF MINUTES – January 14, 2014

3. PLEDGE OF ALLEGIANCE

4. ANNOUNCEMENTS

- A. Announcement of Prohibition of Sound Producing Electronic Devices ~~during~~ the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

DOCUMENTS DEPT

FEB - 7 2014

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5. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during Public Comment Period. A member of the public has up to three minutes to make pertinent public comments. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406. No Commission action can be taken on any matter raised during the public comment period for items not listed on the agenda other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

6. EXECUTIVE

A. Executive Director's Report

- Maiden Call Ceremony AZAMARA QUEST - February 13, 2014
- Pier 92 Grain Silo Public Art Project – February 26, 2014 at 5:30 p.m.

B. Commissioners' Report

7. CONSENT

- A. Request approval of travel for a member of the San Francisco Port Commission to Shanghai, China to attend the Breakbulk China 2014 Conference and make marketing visits to Port shipping customers with members of Port staff. (Resolution No. 14-04)
- B. Request authorization, subject to Board of Supervisors' approval, to accept and expend \$698,625 in 2013 Infrastructure Protection Program Port Security Grant Program funds from the U.S. Department of Homeland Security for security improvements at the Port of San Francisco. (Resolution No. 14-05)
- C. Request authorization to amend contract with Langan Engineering and Environmental Services, Inc. for consulting services related to the Pier 70 Master Plan Area to extend contract term by one year. (Resolution No. 14-06)
- D. Request approval of a supplemental appropriation to reallocate \$1,089,250 of 2008 General Obligation Bond Funds within the Southern Waterfront from Bayfront Park and Blue-Greenway projects to Bayview Gateway and Tulare Park projects to allocate savings. (Resolution No. 14-07)

8. FINANCE AND ADMINISTRATION

- A. Informational presentation on Trends and Implications of the Port's Audited Financial Statements and Future Financial Projections.

- B. Request approval of the Port's Ten-Year Capital Plan for Fiscal Years 2015-2024. (Resolution 14-08)
- C. Informational presentation on the Port's Fiscal Year 2014-15 and Fiscal Year 2015-16 Biennial Operating and Capital Budgets.

9. PLANNING AND DEVELOPMENT

- A. Request approval of a Second Amendment to the Exclusive Negotiation Agreement with GSW Arena LLC, for the lease and development of Piers 30-32 bounded by the Embarcadero roadway and San Francisco Bay, and the sale or lease and development of SWL 330 bounded by the Embarcadero roadway, Beale and Bryant Streets. (Resolution No. 14-09)
- B. Request authorization to award Lease Number L-15771 for the EcoCenter at Heron's Head Park and surrounding 6,058 square feet of non-exclusive license area, located near the intersection of Jennings Street and Cargo Way, to the Bay Institute Aquarium Foundation, a Not For Profit California Corporation for a five-year term with two two-year options. (Resolution No. 14-10)

10. NEW BUSINESS

11. ADJOURNMENT

**FORWARD CALENDAR
(TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)**

FEBRUARY 25, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 33N	Informational	Presentation on a limited Request for Proposals for a retail space located at Pier 33 North (aka 33½) on The Embarcadero at the foot of Bay Street which would be issued on a target basis to those small businesses currently working with San Francisco community-based organizations as a competition
2	Pier 70	Informational	Presentation on Pier 70 - Union Iron Works Historic District nomination and the status of Port planning efforts
3	Portwide	Action	Approval of the Port's Biennial Operating and Capital Budget for Fiscal Years 2014-15 and 2015-16
4	Portwide	Action	Approval of: (1) the preliminary form of the Official Statement relating to the Bonds and the distribution of the statement; and (2) the form of the Continuing Disclosure Certificate of the Port and the execution of the certificate
5	3rd Street & Cargo Way Triangle and Cargo Way	Action	Approval of the Use of Track Agreement with Union Pacific Railroad ("UP") granting Port the right to use the Quint Street Lead track jointly owned by UP and BNSF Railway for the purpose of reconstructing the track with grant funds provided to the Port by the Federal Railroad Administration
6	Portwide	Action	Approval of Executive Director's nominations for appointment to the Port Building Code Review Board
7	Heron's Head Park At Cargo Way and Jennings Street	Action	Authorization to execute Lease Number L-15771 for the EcoCenter at Heron's Head Park and surrounding 6,058 square feet of non-exclusive license area, located near the intersection of Jennings Street and Cargo Way, to the Bay Institute Aquarium Foundation, a Not For Profit California Corporation for a five-year term with two two-year options

MARCH 11, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 27	Informational	Presentation and Briefing on Port-BCDC Planning Study associated with approval of Pier 27 James R. Herman Cruise Terminal and Northeast Wharf Plaza Projects
2	Pier 35	Action	Authorization to advertise for competitive bids for Construction, Pier 35 Building and Roof Repairs
3	Crane Cove Park	Action	Approval to modify contract with AECOM for additional services to Schematic Design phase and to conduct Design Development, Detail Design and Construction support for Crane Cove Park, located within the Pier 70 area.
4	SWL 322-1	Action	Approval of Memorandum of Understanding between the San Francisco Mayor's Office of Housing ("MOH") and the Port regarding the terms and conditions under which the Port will allow MOH to solicit a developer to enter into a lease with the Port for the development of Seawall Lot 322-1 with an affordable housing development
5	Portwide	Action	Resolution to Accept and Expend Coastal Assistance Improvement Program grant for Port of San Francisco pier apron repair projects

MARCH 25, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 70	Informational	Update on the Orton Development Inc.'s proposed project for the lease and rehabilitation of the 20 th Street Historic Buildings on or near 20 th and Illinois Streets at Pier 70
2	Pier 33 North	Action	Approval for a limited Request for Proposals for a retail space located at Pier 33 North (aka 33½) on The Embarcadero at the foot of Bay Street which would be issued on a target basis to those small businesses currently working with San Francisco community-based organizations as a competition
3	Pier 70, Bldg. 12	Action	Approval of license agreement with Forest City California, Inc. ("Forest City") for the Pier 70 Waterfront Site, bordered generally by 20 th Street, Michigan Street, 22 nd Street, and the San Francisco Bay

APRIL 8, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Cesar Chavez Street, Islais Street, and Pier 90	Action	Authorization to award Construction Contract No. 2758, Bayview Gateway & Tulare Park Projects
2	Pier 50 & 96	Action	Approval of First Amendment the Berthing and Lease Agreement No. L-14648 with California Sealift Terminals Inc. a California Corporation to berth three U.S. Maritime Administration (MARAD) ships at Pier 96 and Pier 50
3	Pier 70	Action	Approval of a lease and development agreement with Orton Development, Inc. for the 20th Street Historic Buildings at Pier 70

MAY 13, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 35	Action	Authorization to award Construction Contract No. XX, Pier 35 Building and Roof Repairs

JUNE 10, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 31	Action	Authorization to advertise for competitive bids for Construction, Pier 31 Building and Roof Repairs

JULY 8, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 35	Action	Authorization to advertise for competitive bids for Construction, Pier 35 Substructure Repairs

AUGUST 12, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 31	Action	Authorization to award Construction Contract No. XX, Pier 31 Building and Roof Repairs
2	3rd Street & Cargo Way Triangle and Cargo Way	Action	Authorization to advertise for competitive bids for Construction, Quint Street Lead Improvement Project

SEPTEMBER 9, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 35	Action	Authorization to award Construction Contract No. XX, Pier 35 Substructure Repairs

DATE TO BE DETERMINED

	FACILITY/POLICY	ITEM	TITLE
1	Pier 27	Informational	Presentation on the James R. Herman Cruise Terminal Management Agreement with Metro Cruise LLC
2	Pier 27	Action	Approval of the James R. Herman Cruise Terminal Management Agreement with Metro Cruise LLC
3	South Beach	Action	Port Commission's consideration of agreements between the Port Commission and the Successor Agency to mutually terminate 13 ground leases in the South Beach project area and set business terms for the transfer of the South Beach Harbor Program
4	Pier 70	Action	Authorization to advertise for competitive bids for Construction, Crane Cove Park Project Phase 1
5	Pier 94 and 96	Action	Authorization to advertise for competitive bids for Construction, Pier 94-96 Storm Drain and Outfall repairs
6	Copra Crane Loading Dock near Tulare Street	Action	Authorization to advertise for competitive bids for Construction, Copra Crane Refurbishment

FEBRUARY/MARCH 2014
CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
Feb. 25	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
Mar. 11	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
Mar. 25	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building

NOTES:

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92. The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfport.com

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or catherine.reilly@sfgov.org

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or jonathan.stern@sfport.com

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or mark.paez@sfport.com

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david.beaupre@sfport.com

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or dan.hodapp@sfport.com

ACCESSIBLE MEETING INFORMATION POLICY

FERRY BUILDING:

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at soff@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

NOTICES

Prohibition of Ringing of Sound Producing Devices:

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:


Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections 2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.



MEMORANDUM

February 6, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer 
Executive Director

SUBJECT: Request approval of travel for a member of the San Francisco Port Commission to Shanghai, China to attend the Breakbulk China 2014 Conference and make marketing visits to Port shipping customers with members of Port staff

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

One of the Port of San Francisco's key maritime markets is in breakbulk and bulk cargo shipping. The majority of Port breakbulk imports are sourced in Asia. The Port's leading steamship customers have key offices in Shanghai and Beijing China. Like last year, Port staff is participating in the Breakbulk China conference that is attended by leading shippers and ports involved in the transpacific breakbulk shipping market.

China has increasingly garnered the global spotlight with its growth in exports and imports of breakbulk and project cargo. China's dynamic economy has become not only a huge consumer of raw materials and finished commodities for domestic use, but also a supplier to foreign infrastructure construction projects. Panelists during two days of the conference program will discuss China's involvement in the world's breakbulk and project cargo transportation and whether this trend will continue in coming years. This discussion is important for the Port of San Francisco since China is a major source of breakbulk and project cargo to Pier 80 and it will be helpful to know if this trend will continue into the future.

The Breakbulk China Conference taking place in Shanghai March 10-13, 2014 is the largest and most important gathering in Asia for companies involved in the shipping of forwarders, ports, terminals and packers who have the expertise and resources to handle oversized cargoes with unique handling requirements.

Exhibitors include the world's major carriers, forwarders and ports that handle specialized heavy-lift, project and breakbulk cargoes. In addition to a bustling exhibition floor, Breakbulk China will feature a 2-day conference with top speakers addressing industry issues. The in-depth program will delve into today's most pressing breakbulk transportation topics. Speakers will also discuss the hottest regions for breakbulk and project cargo, and review sectors such as oil and gas, and other power generation markets. Over 4,000 people will be in attendance. Port of San Francisco representatives will visit current and potential customers at their exhibition booths to sell Port facilities and will also have the opportunity to network with customers at conference luncheons and receptions.

While attending the conference, Port staff will set up separate meetings with shipping line representatives, importers, exporters and trading companies. We will also schedule a meeting with the California trade office staff including the new California Center and California-China Trade Office (both of which are being established in Shanghai this year by the governor's office), the Port of Shanghai officials and the ChinaSF office. Port staff will also take a tour of the Port of Shanghai's bulk and breakbulk cargo facility. The California-China Trade Office sits within the Bay Area Council's office in Shanghai and Port staff will plan to meet with Council representatives as well. At these meetings Port representatives will emphasize our unique cargo capabilities as well as how Foreign Trade Zone No. 3 (FTZ) can benefit Bay Area businesses in an effort to identify new opportunities for the Port and FTZ.

The attendance of Commission Vice President Willie Adams will add additional prestige to the value of our trade development meetings particularly with his leadership position in the International Longshore and Warehouse Union. Our current cargo terminal operator, Metro Ports, will also be attending the conference and will travel with Port staff to make joint marketing calls. Success will be measured by the number of new cargo and business leads developed during the visit to China.

Attached, for your approval, is a resolution authorizing Port Commission Vice President Willie Adams to travel to Shanghai, China on March 10-13, 2014 to attend the Breakbulk China Conference with Port staff. This trip will give the Port Commissioner an opportunity to meet current and prospective Port cargo clients and encourage them to move their cargoes through Port of San Francisco facilities. The cost of this trip is covered in the Port Commission's Fiscal Year 2013-2014 budget.

Prepared by: James Maloney
Maritime Marketing Manager

For: Peter Dailey
Deputy Director of Maritime

**PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO
RESOLUTION NO. 14-04**

- WHEREAS, The Port of San Francisco's Pier 80 cargo facility is recognized in the industry as one of the best in the country for moving heavy-lift, project cargo and traditional breakbulk cargoes; and
- WHEREAS, The Breakbulk Conference taking place in Shanghai, China on March 10-13, 2014 is the largest and most important gathering in Asia for companies involved in the shipping of heavy-lift, project cargo and traditional breakbulk cargoes, the cargo best suited for the Port of San Francisco's Pier 80; and
- WHEREAS, At the conference, Port representatives have the opportunity to meet and develop relationships with the leading specialized carriers, forwarders, and packers who have the expertise and resources to handle oversized cargoes with unique handling requirements for which San Francisco is perfectly suited; and
- WHEREAS, While attending the conference, Port representatives will set up separate meetings with shipping line representatives, importers and exporters, trading companies, California trade offices including the new California Center and California-China Trade Office, Port of Shanghai officials and the ChinaSF office as well as take a tour of the Port of Shanghai's bulk and breakbulk cargo facility; and
- WHEREAS, At these meetings Port representatives will emphasize Port of San Francisco cargo capabilities as well as how Foreign Trade Zone No. 3 (FTZ) can benefit Bay Area businesses in an effort to identify new opportunities for the Port and FTZ; and
- WHEREAS, The attendance of Commission Vice President Willie Adams will add additional prestige to the value of our trade development meetings particularly with his leadership position in the International Longshore and Warehouse Union; and
- WHEREAS, Port staff requests approval for Commission Vice President Willie Adams to travel to Shanghai, China to attend the Breakbulk China 2014 Conference; and
- WHEREAS, The cost of this trip is covered in the Port's Fiscal Year 2013-2014 budget; now, therefore be it
- RESOLVED, That the Port Commission hereby approves this travel request.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 11, 2014.

Secretary



MEMORANDUM

February 6, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Request authorization, subject to Board of Supervisors' approval, to accept and expend \$698,625 in 2013 Infrastructure Protection Program Port Security Grant Program funds from the U.S. Department of Homeland Security for security improvements at the Port of San Francisco

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Funding Overview

On August 23, 2013, the Federal Emergency Management Agency (FEMA), an agency within the Department of Homeland Security (DHS), announced grant allocations for the 2013 Infrastructure Protection Program Port Security Grant Program, effectively beginning the application process for 2013 Preparedness Grants.

The Port Security Grant Program (PSGP) provides grant funding to port areas for the protection of critical port infrastructure from terrorism. PSGP funds are primarily intended to assist ports in enhancing risk management capabilities, increasing domain awareness and improving capabilities for prevention, detection, response and recovery from attacks involving improvised explosive devices and other nonconventional weapons.

For the first time since 2007, the Port received direct grant funding from FEMA after competing in a national application process. Previously, FEMA utilized a program under which a Fiduciary Agent acted as the single entity to apply for and accept funding on behalf of the port stakeholders in each of the nation's high threat port regions, then distribute the funds to eligible entities through a regionally competitive process. Lynn Korwatch, Executive Director of the Marine Exchange of the San Francisco Bay Region, acted as the Fiduciary Agent for the ports of San Francisco, Oakland, Richmond and Stockton, as well as other local port stakeholders.

THIS PRINT COVERS CALENDAR ITEM NO. 7B

On June 11, 2013, the Port submitted its grant application to FEMA for consideration. As in past years, the San Francisco Bay region's Port-Wide Risk Management/Mitigation and Business Continuity/Resumption of Trade Plan (Plan) was used by the region's applicants to demonstrate how their applications aligned with the region's security goals. A committee made up of representatives from the region's four major ports and from each port stakeholder community evaluated the applications and provided input to the local U.S. Coast Guard Captain of the Port, who then forwarded the applications, with his recommendations, to FEMA. FEMA notified the Port of their \$698,625 award on September 18, 2013.

In this round, FEMA required a twenty-five percent (25%) cash or 'in kind' match for approved projects submitted by eligible entities.

The grant performance period is a maximum of twenty-four months, plus the possibility of thirty-six additional months of extensions. At this time, 2013 PSGP-funded projects must be completed by May 31, 2015. FEMA has not yet completed their Environmental and Historical Preservation (EHP) review, which is required prior to Port staff initiating a PSGP-funded project. FEMA's Environmental and Historical Preservation (EHP) review, which ensures compliance with federal environmental laws and is required prior to Port staff initiating a PSGP-funded project, pends completion. Port staff will meet the current grant performance period as long as FEMA completes their EHP review by July 1, 2014. Delays by FEMA in completing the EHP review will necessitate Port staff requesting grant extensions from FEMA.

The Port's Grant Applications and Awards

The Port was awarded the following funding through the 2013 Port Security Grant Program:

- **\$186,750 for an All-Hazards Training Series and Exercise:** this planned investment will provide tailored, position-specific all-hazard response training to Port staff, and culminate in a full-scale Port-specific disaster recovery exercise. Port staff anticipates holding the trainings throughout 2014 and hosting the exercise in the first quarter of 2015.
- **\$511,875 in High Security Fencing:** this planned investment will address security concerns and requirements at piers and other Port properties on or adjacent to regulated maritime facilities. The Port will execute additional contracts, approved by the Port Commission, to purchase and install the fencing.

Requested Port Commission Action

Port staff seek Port Commission authorization for the Executive Director to accept and expend \$698,625 in 2013 Infrastructure Protection Program Port Security Grant Program funds from the Department of Homeland Security for security improvements on the Port of San Francisco. Upon the Port Commission's approval, Port staff will seek Board of Supervisor's approval to accept and expend the 2013 PSGP grant funds.

Prepared by:

Sidonie Sansom
Director of Homeland Security

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-05

- WHEREAS, the U.S. Department of Homeland Security Infrastructure Protection Program's Port Security Grant Program (PSGP) provides grant funding to port areas for the protection of critical port infrastructure from terrorism; and the PSGP funds are primarily intended to assist ports in enhancing risk management capabilities, increasing domain awareness and improving capabilities for prevention, detection, response and recovery from attacks involving improvised explosive devices and other nonconventional weapons; and
- WHEREAS, on June 11, 2013, the Port of San Francisco submitted an application for grant funds under the PSGP; and
- WHEREAS, on September 18, 2013, the Port of San Francisco was awarded \$698,625 in grant funds for security improvements on the Port of San Francisco (the "grant"); now, therefore, be it
- RESOLVED, that the Port Commission hereby authorizes the Executive Director to seek the Board of Supervisors' approval to accept and expend the grant; and be it further
- RESOLVED, that the Port Commission hereby urges the Board of Supervisors to approve the request for approval to accept and expend the grant; and be it further
- RESOLVED, that the Port Commission, subject to the Board of Supervisors' approval, hereby authorizes the Executive Director or her designee to execute for and on behalf of the City and County of San Francisco, any additional documents necessary to enter into the grant agreement with the Federal Emergency Management Agency or the Department of Homeland Security, including any extensions, augmentations or amendments thereof.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 11, 2014.

Secretary



MEMORANDUM

February 7, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *MMoyer*
Executive Director

SUBJECT: Request authorization to amend contract with Langan Engineering and Environmental Services, Inc. for consulting services related to the Pier 70 Master Plan Area to extend contract term by one year

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

EXECUTIVE SUMMARY

In 2009, the Port of San Francisco (Port) executed a contract with Treadwell & Rollo, Inc. (Treadwell & Rollo) for environmental investigation and related services within the Pier 70 Master Plan Area (see Exhibit A). The work is 90% funded by a grant from the United States Department of Commerce, Economic Development Administration (EDA); the remaining 10% is funded by the Port's Operating Budget.

Over the past five years, the contract with Treadwell & Rollo has been amended to expand scope, increase fees, and extend term. The work completed to date has produced key environmental reports and ultimately a "Risk Management Plan" that specifies how development at the site can proceed in a manner that protects human health and the environment while facilitating the development process. In 2011 the Port executed an agreement with Treadwell & Rollo's new corporate parent, Langan Engineering and Environmental Services, Inc. (Langan) through which the contract was assigned to Langan with no change in contract terms.

The contracted scope of work is now 94% complete, with remedial action planning for contaminated sediment along Crane Cove Park remaining to be done. Port staff request authorization to extend the contract term by one year to enable completion of remaining work, with no other change in scope, fees, or other contract terms.

THIS PRINT COVERS CALENDAR ITEM NO. 7C

INTRODUCTION

In 2008, the Port was awarded a \$2,280,000 grant from the EDA for environmental investigation and cleanup at Pier 70. In March 2009, the Port Commission adopted Resolution No. 09-19, authorizing award of a contract for environmental investigation and related consulting services to Treadwell & Rollo. The original contract was authorized by the Port Commission and the Civil Service Commission for an amount up to \$1,249,802 and a term of three years with two possible one-year extensions, up to a total contract duration of five years. The contracted scope of work included soil, groundwater, and soil gas sampling and analysis, human health and ecological risk assessment, remedial action and risk management plans, and related public and regulatory agency meetings.

FEDERAL FUNDING AND CONTRACTING REQUIREMENTS

The EDA provides 90% of the funding for this contract and does not allow contingencies in grant funded contracts. EDA contracting rules applicable to this grant also prohibit use of any goals, requirements or preferences for small, local, minority-owned, woman-owned, or other specific class of contractor or subcontractor. Consequently, the contract with Treadwell & Rollo includes no contingency and no subcontracting goals.

PREVIOUS CONTACT AMENDMENTS AND CURRENT STATUS

As the initial phases of investigation and feasibility study yielded information about environmental conditions at Pier 70, the nature and extent of consulting services required have evolved accordingly. Consequently, the Treadwell & Rollo contract has been amended several times to expand scope of work, increase total contract value, and extend term. Additionally, when Treadwell & Rollo was purchased by Langan, the Port Commission executed an Assignment and Assumption Agreement with both parties through which Langan assumed all of the obligations and services under the existing contract, with no change in scope, fees, or assigned personnel. A summary of previously authorized and executed amendments and related agreements is provided in Exhibit B.

The total contract value is now \$1,729,969 and work is 94% complete. Although subcontracting goals do not apply to this contract, Langan has subcontracted a significant portion of the work (29%) to small, local, and minority or woman-owned businesses. To date, 20% has been subcontracted to small businesses, 7% to minority-owned business, and 2% has been subcontracted to woman-owned businesses.

NEED TO EXTEND CONTRACT TERM

Development of a Remedial Action Plan for contaminated sediment along the shore of the future Crane Cove Park is the primary task that remains to be completed. Allowing the existing contract to expire and undertaking a new contract process for this task alone would be neither efficient nor cost-effective. Crane Cove Park design development and construction plans and specifications will be underway during the coming year, and having the ability to consult with Langan regarding how sediment

remediation plans interface with park design and construction will be valuable. With Port Commission and Civil Service Commission authorization to execute a sixth amendment to the existing contract, allowing one additional year to complete remaining work, Port staff do not anticipate the need to further extend or otherwise amend the contract.

RECOMMENDATION

Port staff request Port Commission authorization, subject to Civil Service Commission approval, to amend the contract with Langan to extend the contract term by one year, for a total contract duration of six years. There are no other changes to the contract.

Prepared by: Carol Bach, Environmental & Regulatory Affairs Manager
Planning & Development Division

For: Byron Rhett, Deputy Director
Planning & Development Division

Attachments:

Exhibit A – Pier 70 Master Plan Area: Site Location and Concept Plan

Exhibit B – Summary of previous authorizations and agreement

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 14-06**

- WHEREAS, The Port of San Francisco was awarded a \$2,280,000 grant from the United States Department of Commerce, Economic Development Administration ("EDA") in 2008 to conduct environmental investigation and remedial action planning at Pier 70; and
- WHEREAS, The Port Commission, through Resolution No. 09-19, and the Civil Service Commission authorized execution of a contract with Treadwell & Rollo, Inc., to provide environmental consulting services (the "Contract") in an amount not to exceed \$1,249,802 and a total contract duration of up to five years, including two one year extension options; and
- WHEREAS, The Port Commission, through Resolutions No. 10-58 and 11-16, and the Civil Service Commission have authorized amendments to the contract to expand scope and increase total contract value; and
- WHEREAS, The Port Commission adopted Resolution No. 11-01, authorizing execution of an Assignment and Assumption Agreement, thereby assigning the Port's Contract with Treadwell & Rollo, Inc. to Langan Engineering and Environmental Services, Inc. (Langan); and
- WHEREAS, Langan has completed approximately 94% of the total Contract scope of services, and necessary and time-sensitive work described in the attached memorandum remains to be completed; and
- WHEREAS, Proposed Contract Amendment No. 6, extending the contract term by one year, will allow for completion of this work and provide for a total cumulative participation by small, minority-owned, and woman-owned businesses of 20%, 7% and 2% respectively; and
- WHEREAS, The Port has allocated funding in its Operating Budget for professional services related to planning and development at Pier 70, including the Port's 10% share of the total cost of the EDA-funded contract; now therefore be it
- RESOLVED, That the San Francisco Port Commission, subject to Civil Service Commission approval, hereby authorizes Port staff to execute Contract Amendment No. 6 to the existing contract with Langan by extending the contract term for one year, for a total contract term of six years, with no other changes.

I hereby certify that the Port Commission at its meeting of February 11, 2014 adopted the foregoing Resolution.

Secretary

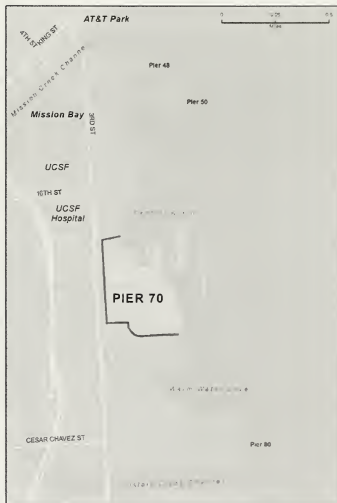


Exhibit A: Pier 70 Master Plan Area (page 1 of 2)

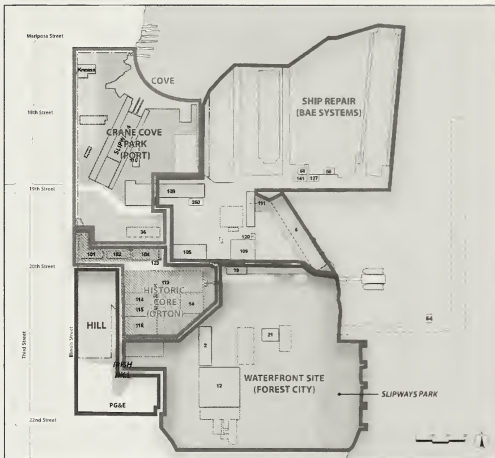
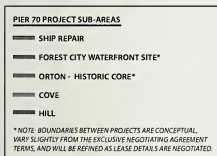
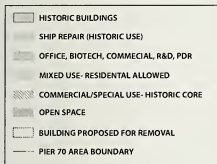


Exhibit A Pier 70 Concept Plan (page 2 of 2)

SEPTEMBER 2012

Exhibit B – Summary of Contract Authorizations and Amendments

Action	Port Commission Resolution No.	Port Commission Meeting Date	Civil Service Commission Approval Number & Date	Description
Award Contract to Treadwell & Rollo	09-19	March 24, 2009	PSC#4119-70/08, Mod.#1 May 6, 2009	Term of 3 years with two possible one-year extensions. Contract value = \$1,249,802.
Amendment No. 1	10-58	August 19, 2010	PSC#4119-70/08, Mod.#2 August 10, 2010	Expand scope and increase contract value to \$1,342,272.
Amendment No. 2	11-16	April 12, 2011	PSC#4119-70/08, Mod.#3 April 18, 2011	Expand scope and increase contract value by \$387,697 to not-to-exceed amount of \$1,729,969; Amendment increased the total contract value to \$1,719,969.
Assignment & Assumption Agreement	11-01	January 11, 2011	NA	Assigned Port contract to Langan with no changes in scope, fees, term, or personnel.
Amendment No. 3	NA: increased contract value within amount approved by Resolution No. 11-16	NA	NA. Increase in amount was within previously approved total contract amount.	Expand scope and increase contract value to \$1,729,969
Amendment No. 4	09-19	March 24, 2009	March 24, 2009	Executed first of two previously approved one-year extensions of term.
Amendment No. 5	09-19	March 24, 2009	PSC#4119-70/08, Mod.#4 May 10, 2013	Executed second of two previously approved one-year extensions of term.
Amendment No. 6 (Proposed)	<i>tbid</i>	February 11, 2014	PSC#4119-70/08, Mod. #5 <i>Hearing date tbd</i>	If approved, will extend contract term by one year.



MEMORANDUM

February 7, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *MMoyer*
Executive Director

SUBJECT: Request approval of a supplemental appropriation to reallocate \$1,089,250 of 2008 General Obligation Bond Funds within the Southern Waterfront from Bayfront Park and Blue-Greenway projects to Bayview Gateway and Tulare Park projects to allocate savings

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution

Executive Summary

On February 5, 2008, the voters of San Francisco approved the 2008 Clean and Safe Neighborhood Parks General Obligation Bond (the "GO Bond") which included \$33.5 million for Port projects, including Bayview Gateway and Tulare Park which are located on opposite shores of Islais Creek between Illinois Street and Third Street.

The proposed supplemental appropriation is requested in order to fund a combined budget gap of \$1,264,250, including (a) increased project costs of \$989,250 for both Bayview Gateway and Tulare Park, and (b) the potential loss of a California Natural Resources Agency grant of \$275,000 for Tulare Park construction costs which will expire in April of 2014. The increased project costs are due to unforeseen conditions related to existing utilities, the condition of retaining walls, and additional public right-of-way improvements. The expiration of the \$275,000 grant is due to delays in the design phase of the project which resulted in a construction schedule which is beyond the grant deadline.

Port staff recommends eliminating the budget gap for Bayview Gateway and Tulare Park of \$1,264,250 through (a) the requested reappropriation of \$1,089,250 from other GO Bond projects with existing or forecasted project savings, and (b) the use of \$175,000 in other Port capital funds.

THIS PRINT COVERS CALENDAR ITEM NO. 7D

Bayview Gateway

The Bayview Gateway Project will create a new one acre public open space along the southern bank of Islais Creek in San Francisco's southeast waterfront. The project site is bound by Islais Creek on the north, Cargo Way on the south, 3rd Street on the west, and Illinois Street on the east. This area was reclaimed from the Bay in the 1900s and served as a working waterfront with a timber wharf and shed. The shed was removed in the early 1980s leaving an asphalt covered lot. The project will demolish the existing timber wharf, rehabilitate the seawall, and transform the asphalt lot into a public park with walkways, plaza spaces and green spaces from which to enjoy the Bay. In addition, the project will serve as both a gateway to and an amenity for the Bayview neighborhood. Please see Exhibit A for a map showing the location of Bayview Gateway, and Exhibit B for a site plan.

Construction estimates early in the design phase indicated the project would cost 13% more than the current budget. Value engineering measures were taken to simplify the design with some success. However, additional project scope was added for unanticipated right of way improvements including a new crosswalk at 3rd Street, modifications and repairs to the adjacent sidewalks, and more extensive roadway and traffic signal work at 3rd Street and Cargo Way. The total project cost is now estimated at \$3.9 M, approximately 18% (\$0.5M) above the original budgeted amount of \$3.3 M. At the Port Commission meeting of December 12, 2013, staff requested authorization to advertise for construction bids under the assumption that GO Bond funds would be appropriated to cover the additional costs.

Budget	GO Bond	Total Funds
Original Budget	\$3,282,125	\$3,282,125
Increase/(Decrease)	\$644,625	\$644,625
Proposed New Budget	\$3,926,750	\$3,926,750

The project was originally scheduled to be completed in August of 2013. However, when the Tulare Park project became a marine construction project (discussed in more detail below), Port staff decided to combine the construction of these two marine construction projects in order to achieve project savings and simplify coordination of site access. Therefore the construction schedule of this project aligned with the schedule for Tulare Park, and is now anticipated to begin construction in April 2014 and be completed in January of 2015.

Schedule	Original	Current Forecast or Actual
Planning	September 2011	September 2011
Design	March 2012	March 2012
Construction	October 2012	April 2014
Completion	August 2013	January 2015

Tulare Park

Across Islais Creek from the future site of the Bayview Gateway, Tulare Park is an existing Blue Greenway Park that was originally constructed in the early 1970s and is in need of major improvements including upgrades required under the Americans with

Disabilities Act (ADA). The Port leveraged the GO Bond funds and secured a \$275,000 grant from the California Natural Resources Agency for some of the construction cost. Park improvements include: a) a new ADA accessible pathway; b) new site furnishings and signage; and c) new California native shoreline landscaping. Please see Exhibit A for a map showing the location of Tulare Park, and Exhibit C for a site plan.

During final design of the Tulare Park improvements, it was determined that grading required to create the ADA accessible path would pose significant risk of damage to both the San Francisco Public Utilities Commission force main and the existing retaining wall running throughout the site. After studying alternatives, a pedestrian bridge was chosen as the most cost effective solution to create an accessible pathway. With design complete, the total project cost is now estimated at \$1.2 M, approximately 33% (\$0.3M) above the original budgeted amount of \$0.9M. At the Port Commission meeting of December 12, 2013, staff requested authorization to advertise for construction bids under the assumption that GO Bond funds would be appropriated to cover the additional costs.

Budget	GO Bond	Grant Funds	Other Port Capital Funds	Total Funds
Original Budget	\$585,000	\$275,000	\$0	\$860,000
Increase/(Decrease)	\$444,625	(\$275,000)	\$175,000	\$344,625
Proposed New Budget	\$1,029,625	\$0	\$175,000	\$1,204,625

The project was originally scheduled to be completed in December of 2013. However, construction was delayed because once the pedestrian bridge concept was chosen as the best approach to create an accessible pathway in February of 2012, the project became a marine construction project and required pile driving which is only possible during the spring and summer. The remaining time to design the project, and award a contract by the pile driving season of 2013 was not sufficient to complete the design to Port staff satisfaction, therefore the construction window slipped to the following pile driving season in 2014, beyond the grant deadline of April 2014.

Port staff continues to work with California Natural Resources Agency staff in order to retain some portion of the funding, and a decision by the California Natural Resources Agency is anticipated in March of 2014. Port staff is pursuing this supplemental appropriation now, without waiting until the California Natural Resources Agency makes a decision, in order to maintain our current project schedule. Should the Port retain some portion of the grant, the Port would reclassify Tulare Park expenditures paid from Port capital funds (as discussed in the financial impact section below) to be paid by the grant instead, thereby replenishing the Port's capital funds.

Schedule	Original Start Date	Currently Forecasted (or Actual) Start Date
Planning	April 2011	April 2011
Design	October 2012	October 2012
Construction	April 2013	April 2014
Completion	December 2013	January 2015

Blue Greenway Signage and Site Furnishings

The Blue Greenway is the City's project to improve the City's southerly portion of the 500 mile, 9-county, region-wide Bay Trail. Uniquely, the trail does not follow one continuous waterfront path or have consistent water views to serve as a navigational tool for users; users have to consciously find transitions and make decisions in order to stay on the system. Additionally, because the Blue Greenway is in its early inception, it lacks recognition by the general public. In order to help build identity and allow users to find their way along the system, the Port, working with our stakeholders, has developed a signage and way-finding program to build identity and provide users orientation to find their way along the system. The program includes large customized signs (as conceptualized in the diagram) which include navigational information.

The contract to construct and install these custom signs went out to bid in late March 2013 and a contract was awarded with Port Commission approval. In addition to signage, furnishings such as benches and waste receptacles will be provided at the sign sites where practicable. Port staff has identified three such sites where furnishings would be appropriate, and now estimates a total funding need of \$998,911, or \$459,089 less than the current budget. The project is scheduled for completion by April of 2014.

Blue Greenway Planning and Design

The Blue-Greenway Design standards evolved through the community planning process to be more than just design guidelines. Stakeholders, the Port Commission and City agency partners agreed that to be more useful, the process and results required more planning to understand the opportunities along the entire Blue Greenway. However, as the scope was refined, it was determined that it would be difficult to develop design standards without a better understanding of the entire scope of potential projects within the Blue-Greenway. Therefore the planning process was expanded to include the identification of open space opportunities, identification of programming (uses) options, project cost estimates and the development of an implementation strategy to improve the Blue Greenway, including project prioritization.

The Port hosted a series of community meetings and the guidelines were substantially complete in September of 2013 at a total expense of \$325,472, with remaining project funds of \$10,528. These surplus funds are now being requested for reappropriation.

Bayfront Park

This project along the Blue Greenway included the removal of deteriorated piers and wharves, and reconstruction of 1,200 linear feet of shoreline to allow Bayfront Park to be constructed to the Bay's edge. The shoreline project included the installation of a temporary 8' wide mixed use pathway to allow the public to access the shoreline while the Park was under construction. This project is complete and opened to the public in February of 2012. The project's total cost was \$2,330,367, which represents project savings of



\$619,633 which are now being requested for reappropriation.

Tentative Schedule

Subsequent to Port Commission approval, the proposed supplemental appropriation is subject to Capital Planning Committee and the Board of Supervisors approval. Below is the tentative schedule for the required approvals, intended to make funds available to Bayview Gateway and Tulare Park projects when the contract¹ is ready to award in April of 2014.

February 11, 2014:	Port Commission approval
February 24, 2014:	Capital Planning Committee approval
March 5, 2014:	Introduction at the Board of Supervisors
March 19, 2014:	Budget and Finance Committee hearing
March 25, 2014:	Full Board of Supervisors – first reading
April 1, 2014:	Full Board of Supervisors – final reading
April 8, 2014:	Mayor Approval

Regulatory Approvals

Below is a list of major required regulatory approvals and status.

California Environmental Quality Act (CEQA) –The San Francisco City Planning Department approved a Final Mitigated Negative Declaration for Port 2008 Proposition A Open Space Improvements on October 30, 2009. The Bayview Gateway was specifically included in the Final Declaration. On October 9, 2013, the Planning Department issued a Note to File stating that the Tulare Park improvements are within the overall scope of the 2008 Proposition A projects and no additional environmental analysis is required under CEQA.

Bay Conservation and Development Commission (BCDC) –Both projects are requirements of previously issued BCDC permits. The Bayview Gateway project is covered under America's Cup 34 Major Permit # 2012-001, dated June 12, 2012. The Tulare Park project is covered under the BCDC permit for the adjacent Illinois Street Bridge BCDC permit # 2002.003 dated February 19, 2004. Project plans have been submitted for design and engineering review and approval to BCDC. Approvals are expected in April of 2014.

San Francisco Bay Regional Water Quality Control Board (RWQCB) – A Joint Aquatic Resources Permit Application for both Bayview Gateway and Tulare Park was filed on May 14, 2013. The RWQCB has issued a 401 Water Quality Certification.

US Army Corps of Engineers (CORPS) - A Joint Aquatic Resources Permit Application for both Bayview Gateway and Tulare Park was filed on May 14, 2013.

California Public Utilities Commission (CPUC) – CPUC approval of the Bayview Gateway pedestrian railroad crossing is in process. A diagnostic meeting with CPUC,

¹ In order to save on mobilization costs, Bayview Gateway and Tulare Park are being constructed under a single construction contract.

Union Pacific, and SF Bay Rail was held in March 2013 to determine the acceptable treatments for the crossing. Final approval is expected in spring 2014.

Port of San Francisco – Building Permit and Encroachment Permit are in process and expected to be secured before construction.

San Francisco Fire Department – Fire house No. 25 is located within the Bayview Gateway area. The project will modify the area adjacent to the building entry and parking lot. Port Staff coordinated with Fire Department personnel during design and will continue coordination during construction.

Financial Impact

As shown in the table below, Port staff recommends eliminating the budget gap for Bayview Gateway and Tulare Park of \$1,264,250 through (a) the requested reappropriation of \$1,089,250 from other GO Bond projects with existing or forecasted project savings, and (b) the use of \$175,000 in other Port capital funds.

Project Name	Project Status	Current Budget	Expiring Grant Funds	Other Port Capital Funds	Proposed Reappropriation	Proposed New Budget
Sources						
Blue Greenway Signage and Site Furnishings	In Construction	\$ 1,458,000			\$ (459,089)	\$ 998,911
Blue Greenway Planning and Design	Completed	\$ 336,000			\$ (10,528)	\$ 325,472
Bayfront Park	Completed	\$ 2,950,000			\$ (619,633)	\$ 2,330,367
Total Sources					\$ (1,089,250)	
Uses						
Bayview Gateway Park	Preparing to go out to bid	\$ 3,282,125			\$ 644,625	\$ 3,926,750
Tulare Park	Preparing to go out to bid	\$ 860,000	\$ (275,000)	\$ 175,000	\$ 444,625	\$ 1,204,625
Total Uses					\$ 1,089,250	

The proposed supplemental appropriation does not have financial impact because the ordinance only reallocates existing GO Bond funds between projects. Property taxes pay the debt service on these General Obligation bonds.

The potential expiration of the \$275,000 California Natural Resources Agency Grant has a financial impact that is resolved by use of \$100,000 from other General Obligation funds and \$175,000 in other Port capital. Port staff has identified the Transbay Cable annual public benefit payment² as the funding source for the \$175,000 portion. This payment is required to be used for open space projects within the southern waterfront and is unencumbered and available for repurposing.

² The Transbay Cable lease allowed for a 53 mile underwater power transmission line connecting power stations in Pittsburg and San Francisco, including a 9.4 mile section under Port jurisdiction. Under the terms of this lease, the Port receives an annual payment of \$550,000 dedicated to Southern Waterfront open space capital improvements.

Port staff is pursuing an extension to the deadline for all or some of the grant amount. Should the Port retain some portion of the grant, the Port would reclassify Tulare Park expenditures paid by the Transbay Cable lease payments to the Port, or from GO Bond funds, to be paid by the grant instead, thereby replenishing the Port's capital funds.

Recommendation

Bayview Gateway and Tulare Park are unique opportunities to enhance the Port's portfolio, especially in its most industrial sector. Port staff is proud to be able to move forward public benefits which enrich and customize areas of the waterfront where the Port has neither a paying tenant nor a development partner, such as Bayview Gateway and Tulare Park. The Port's ability to do so is in no small part due to the generosity of the San Francisco tax-payers who approved issuance of General Obligation Bonds and other scarce resources of the Port's operating funds. As such, Port staff recommends approval of the proposed supplemental appropriation.

Prepared by: Nate Cruz, Financial Analyst, Real
Estate Division

David Beaupre, Project Manager,
Planning and Development Division

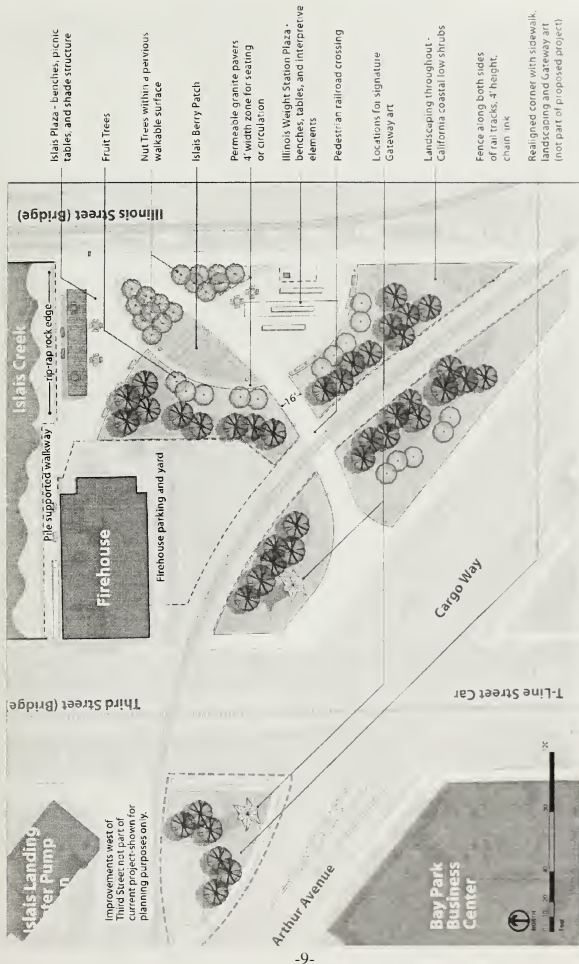
For: Elaine Forbes, Director of Finance and
Administration

Byron Rhett, Director of Planning and
Development

Exhibit A – Vicinity Map



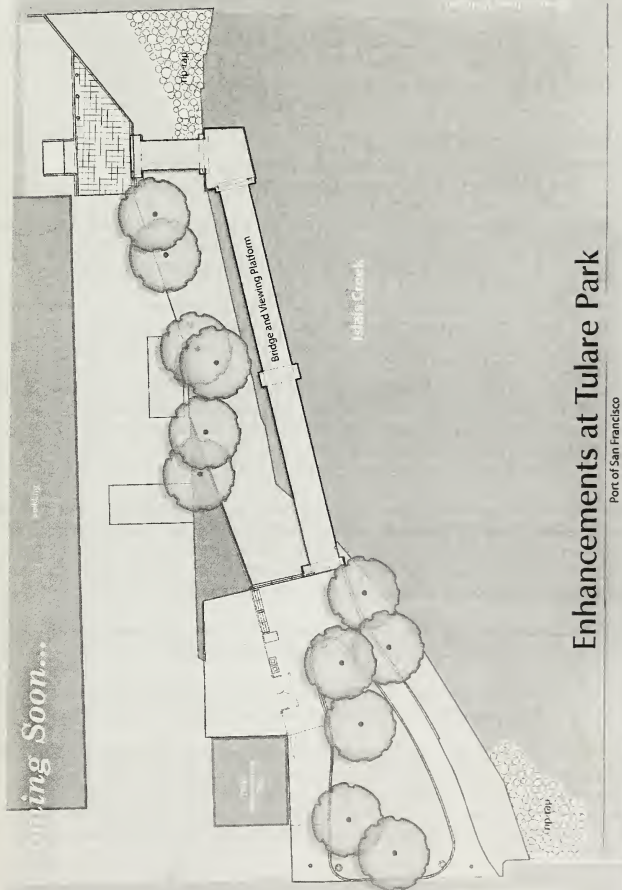
Exhibit B – Site Plan, Bayview Gateway



Bayview Gateway (located at Third and Cargo)

Concept Design

Exhibit C – Site Plan, Tulare Park



Enhancements at Tulare Park

Port of San Francisco

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-07

- WHEREAS, The voters of San Francisco approved the 2008 Clean and Safe Neighborhood Parks General Obligation Bond proposition, which authorized the issuance of \$33.5 million in General Obligation Bonds (the "GO Bonds") for Port projects; and
- WHEREAS, The Bayview Gateway and Tulare Park projects, located in the Southern Waterfront along opposite banks of Islais Creek between 3rd and Illinois Streets, are two projects funded by the GO Bond proceeds; and
- WHEREAS, The Bayview Gateway project would construct a new, 1.5 acre, open space located on the south bank of Islais Creek, between 3rd Street and Illinois Street and extending to Cargo Way; and
- WHEREAS, The Tulare Park project would improve an existing 12,000 square foot open space located on the north bank of Islais Creek, between 3rd Street and Illinois Street; and
- WHEREAS, Due to unforeseen utility and public right-of-way issues that have increased project costs and caused construction to be delayed until after the expiration date of a \$275,000 grant from the California Natural Resources Agency, Bayview Gateway and Tulare Park projects currently have a potential combined funding shortfall of \$1,264,250; and
- WHEREAS, \$1,089,250 in surplus 2008 GO Bond funds are available from (a) the Blue Greenway Signage and Site Furnishings project (currently under construction, and projected to have project savings), and (b) the Blue Greenway Planning and Design project and the Bayfront Park project (which are both substantially complete and have project savings); and
- WHEREAS, Bayview Gateway and Tulare Park are unique opportunities to enhance the Port's portfolio, especially in its most industrial sector; and
- WHEREAS, Such projects are viable even though the Port has neither a paying tenant nor a development partner at or adjacent to these sites; and
- WHEREAS, Port staff recommends reappropriating funds to the Bayview Gateway and Tulare Park projects consisting of (a) \$1,089,250 from the Blue Greenway Signage and Site Furnishings, Blue Greenway Planning and Design, and Bayfront Park projects, and (b) \$175,000 in unencumbered Port capital funds which are required for expenditure on Southern Waterfront improvements; and

WHEREAS, The funding source for the \$175,000 in Port capital funds is previously appropriated and unencumbered funds housed in the Southern Waterfront Open Space Enhancement and Alternative Energy Project (CPO794), and use of such funds for Tulare Park is an eligible use under the project description; and

WHEREAS, Port staff is in negotiations with the California Natural Resources Agency to retain some portion of the \$275,000 grant beyond the current expiration date, and if Port staff succeeds, will reclassify expenditures paid by Port capital funds or GO Bond funds to be paid by the grant instead, thereby replenishing the original funding source; now, therefore be it

RESOLVED, That the Port Commission hereby authorizes Port staff to deappropriate a combined \$1,089,250 in GO Bond project savings from the Blue Greenway Signage and Site Furnishings, the Blue Greenway Planning and Design Guidelines, and the Bayfront Park projects, and reappropriate such funds to the Bayview Gateway and Tulare Park projects, as described in the memorandum to which this resolution is attached.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of February 11, 2014.

Secretary



MEMORANDUM

February 7, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer
Executive Director *mmoyer*

SUBJECT: Informational Presentation on Trends and Implications of the Port's Audited Financial Statements and Future Financial Projections

DIRECTOR'S RECOMMENDATION: Informational Only – No Action Required

The purpose of this item is to present the trends and implications of the last five years of audited financial statements, review the Port's Five-Year Financial Projections for Fiscal Year (FY) 2013-14 to FY 2017-18, and evaluate the Port's financial condition to allow for Port Commission consideration and feedback.

SUMMARY

The first part of this report updates the Port Commission on the Port's operating activities (income statement) and financial position (balance sheet) based on the Port's audited financial statements for the last five years. Audited financial statements are historical in nature, providing the means to look back at financial position at a June 30 balance sheet date and the operating activities of the year that change the Port's net financial position. This presentation provides an overview using condensed financial information and specific highlights on the Port's cash position, capital assets, outstanding debt, key operating activities and the results of operations.

At the request of Port Commissioner Doreen Woo Ho, the second part of this report provides the Port Commission information on the Port's Five-Year Financial Projections for FY 2013-14 to FY 2017-18.

This Print Covers Calendar Item No. 8A

This informational presentation also builds a foundation for understanding and evaluating: (1) the Port's ten-year capital plan and operating and capital budget and (2) the securities disclosures required for the upcoming issuance of Port revenue bonds.

AUDITED FINANCIAL STATEMENTS

The financial statements of the Port are audited annually. The most recent audit covered the years ended June 30, 2013 and 2012. The independent auditors, Macias, Gini & O'Connell LLP ("MGO"), issued their audit report on October 25, 2013. MGO issued a "clean" or unqualified opinion on the financial statement Port management prepared. The audited financial statement was separately delivered to the Port Commission in December of 2013. A copy of the audit also is posted online at: <http://www.sfport.com/modules/showdocument.aspx?documentid=7026>.

Looking Back: Review of Income Statement and Balance Sheet

As shown in the table below, since 2008, operating revenues grew 26.4 percent, or an average of 4.8 percent per year. Operating expenses grew 19.7 percent in last five years, or an average of 3.9 percent per year. Due to careful management, revenue growth outpaced expense growth. The result was positive net income in three of the last five years, totaling \$8.4 million over the five year period. This modest net income growth (calculated after deduction for asset depreciation) indicates that the Port's operating revenues supported operating expenditures as well as capital investment. This history demonstrates the Port's conscious determination to address capital renewal costs. However, the Port's limited resources were not sufficient to address deferred maintenance backlog without significant cuts to operations.

As noted above, excluding depreciation and amortization expense, the Port's historical financial results illustrate the success of the Port's implementation of prudent policies and practices, including the setting of rental rates and fees, to ensure the Port's financial stability. As a result, operating revenues were characterized by a positive growth rate much higher than the growth of operations and maintenance expenses. The slower growth in expenses is largely due to a reduction in the Port's estimation of certain environmental liabilities which positively influenced the Port's financial results in 2011, 2012, and 2013, as described in more detail in the operating expenses section. Such reductions in environmental liabilities obviated the need for drastic cuts in Port operations. However, when these credit adjustments to environmental expense are excluded, the Port's operating expenses actually increased at a more significant rate, especially in the last two years.

Table 1: Historical Statement of Operations

FOR THE YEAR ENDED (\$ Millions)

	2008	2009	2010	2011	2012	2013	Five-Year Change	% Change
Operating Revenues	64.5	66.1	66.6	72.3	77.3	81.5	17.0	26.4%
Operating Expenses:								
Operations & Maintenance (see Table 2)	56.4	57.6	58.8	51.9	55.5	63.6	7.2	12.8%
Depreciation & Amortization	10.4	13.3	13.8	14.7	15.1	16.4	6.0	57.3%
	66.8	70.9	72.5	66.6	70.5	80.0	13.2	19.7%
Other Income/(Expense)	(0.6)	2.1	0.9	(0.4)	2.3	0.3	1.0	-151.4%
Net Income/(Loss)								
Before Capital Contribution	(3.0)	(2.7)	(5.1)	5.3	9.0	1.9		
Grants & Other Contributed Capital	3.9	5.2	16.1	3.0	17.0	25.8	21.9	554.5%
Change in Net Assets	1.0	2.5	11.1	8.3	26.0	27.7		

Operating Revenues

Despite the economic recession, the Port's revenue grew by \$17.0 million at an average rate of 4.8 percent per year since 2008. The relative stability in Port real estate revenues through the economic downturn is attributable to the diversity of the Port's portfolio, which includes office, industrial, storage, retail, restaurants, parking lots, parking meters, and major tourist attractions. It also reflects the Port Commission's policy for adhering to a schedule of market rates for all of its assets. Recent growth in real estate revenues has followed regional economic improvements, driven primarily by growth in parking revenues but also augmented by strong percentage rents in the retail industries.

Maritime revenues grew due to strong performance in both the cruise and ship repair business lines. Revenues from passenger cruises resulted primarily from increased calls and passenger capacity. Dredging and investments to expand the capacity of the large drydock and to add shorepower capability resulted in additional booked business for the Port's ship repair tenant. The Port continues to review the rate of return and economic value of the ship repair business to the Port and San Francisco to make decisions about future investment and lease terms. Port revenues from other maritime business lines were relatively constant since 2008.

Operating Expenses

Since 2008, operating expenses grew by \$13.2 million at an average rate of 3.9 percent per year. Operations and Maintenance expenses grew by \$7.2 million and Depreciation and Amortization by \$6.0 million. Depreciation and amortization expense grew significantly as the Port invested in new capital assets creating additional depreciation requirements.

The table below provides a detailed breakdown of the more significant costs included among Operations and Maintenance expenses. Three areas drove cost escalations: personnel expenses, professional services expenses, and charges for City services. Salary and mandatory fringe benefit costs, pursuant to collective bargaining arrangements, continue to rise, especially for pension and health plan costs.

Particularly notable are pension contributions, for which the Port is required to contribute at an actuarially determined rate. In 2009, the contribution rate was 4.99% (\$1.0 million) and in 2013, the contribution rate was 20.71% (\$3.6 million). During this five-year period, the full-time equivalent headcount increased from 229 employees in 2009 to 236 employees in 2013. The use of professional services and assistance from other City departments varies with the amount of development and Port capital project activities. These outside services are a valuable supplement to the Port's internal work force. In the last five years, the Port has moved forward with significant development and capital projects. Much of the front-end costs incurred for due-diligence work, conceptual design and other preliminary costs are recorded as operating expenses. Preparations for the 34th America's Cup events also contributed to the expense increases of 2012 and 2013.

Operations and Maintenance expenses include non-cash adjustments due to the reduction in environmental remediation costs relating to Pier 70. Excluding these one-time reductions from 2011, 2012, and 2013, Operations and Maintenance expenses grew at significantly high rates of 4.6% in 2013 and 10.0% in 2012.

Table 2: Historical Operations & Maintenance Expenses

Historical Operations & Maintenance Expenses					
\$ Millions					
	Audited				
	2009	2010	2011	2012	2013
Operations & Maintenance					
Personnel Expense	29.2	29.3	30.1	32.3	32.9
City-Wide Overhead	0.5	0.3	0.1	0.0	0.0
Other Current Expenses	2.9	2.8	2.8	3.4	3.8
Professional & Specialized Services	4.4	3.3	3.5	3.8	4.9
Utility Expenses	2.0	2.0	1.8	2.1	2.0
Materials & Supplies	1.6	1.3	1.5	1.1	1.5
Judgments, Claims & Litigation	0.7	0.4	0.3	0.3	0.4
Office Rent	3.1	3.2	3.0	2.9	2.9
Charges for Use of City Services	12.8	16.0	14.5	16.4	17.2
Other Operating & Maintenance Exp. (net)	0.3	0.2	0.2	1.2	0.7
Operations & Maintenance Exp. - Subtotal	57.6	58.8	57.7	63.5	66.4
Non-cash adj. for estimated pollution remediation costs	0.0	0.0	(5.9)	(8.0)	(2.8)
Total Operations & Maintenance Exp.	57.6	58.8	51.9	55.5	63.6

Other Income and Expense

It should be noted that the Other Income and Expense line in Table 1 is a net number. The primary focus of this staff report is on operating activities. The Other Income and Expense line represents the impact of various non-operating items, including investment activities (interest and investment income), certain capital and noncapital items (the cost of pier removal and other asset dispositions), and financing activities (interest expense). Other than interest income and expense, much of the activities are non-recurring. Of note during the most recent five-year period, the Port incurred costs for pier removal,

demolition work and asset disposition totaling \$5.8 million in 2013, \$7.7 million in 2012, \$2.2 million in 2011 and \$0.3 million in 2010.

Contributions to Capital

As depicted in Table 1, since 2008 Grants and Other Contributed Capital grew by \$21.9 million. Through exceedingly focused efforts, the Port has been successful in securing capital grants and other contributions from federal, state and local grant agencies, which provided funding for several of the Port's capital projects. This revenue source fluctuates widely, based on numerous factors including grant funds availability and the capital work actually in progress at the Port. Additionally, as a result of a deliberate change in Port policy, the Port received \$42.8 million in general obligation bond proceeds from the City for implementation of parks and open space, consisting of \$18.2 million in 2013, \$10.4 million in 2012, \$10.6 million in 2010 and \$3.6 million in 2009. No such funding was available to the Port prior to 2009. As reflected in the audited statement of operations, these sources have been critical to capital investment and have improved the Port's net asset positions (balance sheet).

Table 3: Historical Balance Sheets

	AS OF JUNE 30 (\$ Millions)						Five-Year Change	% Change
	2008	2009	2010	2011	2012	2013		
Current and Other Assets	102.7	109.2	157.6	157.5	158.6	136.3	33.7	32.8%
Capital Assets	262.1	258.8	261.0	263.8	294.7	409.0	147.0	56.1%
Total Assets	364.7	367.9	418.7	421.3	453.3	545.4	180.6	49.5%
Current Liabilities	21.9	23.2	20.6	20.4	35.9	61.2	39.3	179.7%
Noncurrent Liabilities	55.2	54.6	96.9	91.4	81.9	121.0	65.8	119.1%
Total Liabilities	77.1	77.8	117.5	111.8	117.8	182.2	105.1	136.3%
Net Position:								
Net Investment in Capital Assets	256.7	255.0	256.2	241.6	257.9	319.8	63.1	24.6%
Restricted	0.6	3.5	13.0	12.2	16.2	27.1	26.5	4298.5%
Unrestricted	30.3	31.7	32.0	55.7	61.4	16.2	-14.1	-46.6%
Total Net Position	287.7	290.1	301.2	309.5	335.5	363.2	75.5	26.2%

As shown above in Table 3, since 2008, the Port's net position improved \$75.5 million, from \$287.7 million to \$363.2 million. This represents a growth of 26.2%, which is a significant achievement. Over 70 percent of this growth occurred in the last two years. The Port's total net position at June 30, 2013 of \$363.2 million was \$27.7 million higher than the Port's net position at June 30, 2012. This follows prior increases of \$26 million and \$8.3 million at the end of 2012 and 2011, respectively. The Port's strategic vision of the past 10 years has realized extensive investment in capital assets which in turn has resulted in improvements in the Port's net position.

During this period, the Port Commission adopted new policies, pursued legislative changes and positioned its budget and capital plans for capital investment, strategically focused on revenue enhancements. A portion of the investment in capital assets is funded from the issuance of debt which has resulted in increases in liabilities. Grants and other capital contributions (including City general obligation bond proceeds for

parks and open space projects) also funded capital works. These additional external resources contributed significantly to the improvement in the Port's net position.

The higher liabilities at the end of the five-year period in 2013 reflect the impact of the obligations incurred in connection with higher capital activities. In 2013, current liabilities include \$26.8 million Due to the City General Fund for repayment of commercial paper issued by the City as interim financing (prior to the City's issuance of COPs) for certain capital improvements on Port property. Noncurrent liabilities incurred during the most recent five years include the issuance of \$36.7 million of new revenue bonds in 2010. Commencing in 2008, an accounting accrual for the cost of retiree benefits other than pensions ("OPEB") became a financial reporting requirement. The first OPEB accrual for post-employment health benefits in 2008 was \$2.8 million and, in 2013, the accumulated OPEB liability was \$16.1 million. Tenant improvement credits, offset by various noncurrent liability decreases, account for the remainder of the five-year increase of \$65.8 million.

The Port and Port tenants made significant investments in capital assets in recent years including the following:

- James R. Herman Cruise Terminal at Pier 27 (Phase 1)
- Pier 15 Substructure Improvements – the Exploratorium
- 34th America's Cup Facility Requirements
- Brannan Street Wharf
- Pier 43 Bay Trail Link
- Pier 33 ½ Improvement Project
- Heron's Head Park Improvement Project
- Shore Power at Piers 27 and 70
- Security Improvements at Maritime Facilities

Cash position

Substantially all of the Port's cash is held in the City Treasurer's pooled account of cash and investments. The Port has maintained a healthy liquidity position. However, unrestricted cash has decreased from a peak of \$98.9 million in 2011 to \$80.4 million in 2013. This change was driven primarily by expenditures for capital projects.

Chart 1: Unrestricted Cash



With 2013 Operations and Maintenance expenses at \$63.6 million, June 30, 2013 unrestricted cash of \$80.4 million represents 461 days of cash on hand. This continues to be a strong cash position.

Debt

As of June 30, 2013, the Port had long-term debt obligations of \$37.9 million including \$1.1 million that is due during the next fiscal year. Total debt outstanding consists of \$34.8 million in revenue bonds, \$2.6 million in loans that are secured by specified revenue sources and a \$504,000 advance from SFPUC for an energy efficiency project. No new bonds were issued in 2013 and 2012.

Subsequent events (after June 30, 2013):

- The Port has incurred a new payment obligation relating to \$37.7 million of Certificates of Participation (COPs) the City issued on behalf of the Port in October 2013.
- The Port is in the process of issuing approximately \$24 million in 2014 Port Revenue Bonds to fund additional projects.

The debt portfolio reflects the Port's re-entry into the bond market in 2010 following a 20-year hiatus. The ability of the Port to reenter the bond market was driven by a substantially improved balance sheet and renewed financial stability. To achieve these financial improvements, the Port endured significant cuts to operations (including layoffs) in 2004 and 2005 as well as restrictions on the growth of recurring expenditures from 2006 through 2011. In 2012 and 2013, expenditures ramped up to allow for more significant capital investment. The Port's decision to leverage its balance sheet through the issuance of revenue bonds is a direct result of the Port's cataloging of its capital needs through its 10-year capital plan and its creation of a corresponding plan of finance. The Port has exerted consistent effort to use the bond program to invest in key business lines, meet public access requirements, generate new revenue and address the deferred maintenance backlog.

The above discussion of the Port's 5-year audited financial results illustrates the precise effect of the Port's financial policies and practices and also measures the Port's ability to tightly manage its operations and investments to meet its desired outcomes. Such management has led to a unique diversification of revenues, a pursuit of grant and legislative opportunities to leverage Port resources, low debt to income burden, strong cash balances and relatively low vacancy and delinquency rates despite a significant economic downturn. Port staff and the Port Commission decisions (in concert with Mayors Newsom and Lee and the Board of Supervisors) have not always been popular but have served to tackle the Port's significant operational and capital liabilities and deliver an unprecedented amount of new benefits to the people of California. The financial results underscore the Port's fortitude as an institution to meet its liabilities and challenges. As catalogued in the Port's FY 2015-2024 Capital Plan, a persistent gap remains between the Port's available resources and its ever growing need. And, as discussed in further detail below, the projected high growth of operating expenses will require a corresponding high growth in revenues and continued fortitude in the management of the Port.

FINANCIAL PROJECTIONS OVERVIEW

The Port's Five-Year Financial Projections for FY 2013-14 to FY 2017-19 are summarized in Table 4 with a more detailed summary in Attachment I. In contrast to the budget documents which focus on current spendable revenue sources and their uses, these financial projections are prepared on the accrual basis of accounting which mirror the audited financial statement for revenues, expenses and changes in net position. Financial statements are prepared in accordance with generally accepted accounting principles that apply to all government entities in the United States. The debt service coverage covenant of the Port's revenue bond indenture also requires the use of forecasts based on audited results, determined in accordance with generally accepted accounting principles.

The Five-Year Financial Projections are comprised of estimated revenues, expenses, net income, change in net revenue and adherence to the Port's Debt Service coverage covenant. The Projections assume both the Operating Revenue Fund and the Designated Capital Fund are maintained pursuant to Port Commission policy. Brief explanations of each of these components follow. A more complete summary of the methodology and assumptions is contained in Attachment 2.

Table 4: Five-Year Financial Projections for FY 2013-14 to FY 2017-18

Port of San Francisco Financial Projections Projected Statement of Operations \$ Millions						
	Audit FY 12-13	FY 13-14	FY 14-15	Forecast FY 15-16	FY 16-17	FY 17-18
OPERATING REVENUES						
Martime						
Cargo	4.9	5.0	5.1	5.2	5.4	5.6
Ship Repair	1.6	2.1	1.9	1.5	1.6	1.4
Harbor Services	2.0	2.1	2.1	2.1	2.2	2.2
Cruise	2.8	3.2	5.1	6.3	6.6	6.8
Fishing	2.0	2.2	2.2	2.3	2.3	2.4
Other Marine	1.6	1.8	1.7	1.7	1.8	1.8
<i>Total Maritime</i>	<u>14.9</u>	<u>16.3</u>	<u>18.0</u>	<u>19.2</u>	<u>19.9</u>	<u>20.4</u>
Real Estate & Asset Management						
Commercial/Industrial	43.3	44.7	47.8	50.3	53.0	54.4
Parking	17.8	18.1	20.0	21.2	21.7	22.1
Filming & Special Event Revenue	0.0	0.1	0.1	0.1	0.1	0.1
Miscellaneous Revenues - R/E&AM	0.3	0.1	0.1	0.1	0.1	0.1
<i>Total Real Estate & Asset Management</i>	<u>61.4</u>	<u>63.0</u>	<u>68.1</u>	<u>71.7</u>	<u>74.9</u>	<u>76.7</u>
Other Operating Revenue	5.3	3.0	1.1	1.2	1.2	1.2
Total Operating Revenues	81.5	82.3	87.2	92.0	96.0	98.2
OPERATING EXPENSES						
Operations & Maintenance	63.6	66.5	69.3	71.6	73.6	75.9
Depreciation & Amortization	16.4	20.4	22.0	23.1	24.6	25.4
Total Operating Expenses	80.0	86.9	91.2	94.7	98.2	101.3
Operating Income	<u>1.5</u>	<u>(4.6)</u>	<u>(4.0)</u>	<u>(2.6)</u>	<u>(2.2)</u>	<u>(3.1)</u>
OTHER INCOME & (EXPENSES)						
Interest & Investment Income	0.0	1.1	1.0	1.1	1.2	1.3
Interest Expense	(1.4)	(2.8)	(5.0)	(5.0)	(4.9)	(4.8)
Gain/(Loss) on Sale of Assets	(5.8)	0.0	0.0	0.0	0.0	0.0
Other Income/(Expense)	3.3	(1.5)	0.0	0.0	0.0	0.0
Extraordinary Gain/(Loss)	4.3	1.8	0.0	0.0	0.0	0.0
Total Other Income/(Expense) - Net	0.3	(1.4)	(4.1)	(3.9)	(3.7)	(3.5)
NET INCOME/(LOSS) Before Capital Contribution	<u>1.9</u>	<u>(6.0)</u>	<u>(8.1)</u>	<u>(6.6)</u>	<u>(5.9)</u>	<u>(6.6)</u>
Grants & Other Contributed Capital	25.8	21.3	17.3	13.2	18.4	1.8
CHANGE IN NET ASSETS	<u>27.7</u>	<u>15.3</u>	<u>9.2</u>	<u>6.6</u>	<u>12.5</u>	<u>(4.7)</u>

As shown in Table 4 above and summarized in Table 5 below, operating revenues are projected to grow by \$16.7 million over the five year period. Over this same period, Operations and Maintenance expenses are projected to grow by \$12.3 million and Depreciation and Amortization expense by \$9.0 million, bringing total expense growth to

\$21.3 million. As currently forecasted, without any management intervention, the Port's operating revenues are able to cover regular operating costs but are insufficient to support renewal of its valuable capital assets and aging infrastructure. The Port Commission and staff (with oversight of Mayor Lee and the Board of Supervisors) face the challenge of balancing limited resources with growing operating costs and capital requirements as they review the next two-year operating and capital budget and the ten-year capital plan.

Operating Revenues

Staff projects that over the next five years Operating Revenues will increase by \$16.7 million (20%), from \$81.5 million in FY 2012-13 to \$98.2 million in FY 2017-18, with an average growth of \$3.3 million (3.8%) per year. The five-year increase is derived from the Port's two business sectors: \$5.5 million from Maritime operations and \$15.2 million from Real Estate operations, offset by a \$4.0 million decrease in one-time Other Revenues.

Operating Expenses

Total Operating Expenses are projected to increase by \$21.3 million (27%), from \$80.0 million in FY 2012-13 to \$101.3 million in FY 2017-18, with an average growth of \$4.3 million (5%) per year. This change reflects increases in Operations & Maintenance Expenses of \$12.3 million, or 19% over the five-year period, and Depreciation and Amortization expense of \$9.0 million, or 55% over the five-year period.

Contributions to Capital

Grants and other contributed capital are projected to decrease by \$24 million (93%), from \$25.8 million in FY 2012-13 to \$1.8 million in FY 2017-18. The Port estimates that it will receive a total of \$72 million in grant funding and capital contributions. As further illustrated by the summary below, these external resources drive the Port's positive financial position during the projection period.

Table 5: Summarized Projected Income Statement

Projected Statement of Operations								
	\$ Millions							
	Audit	Forecast					Five-Year	%
	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	Change	Change
Operating Revenues	81.5	82.3	87.2	92.0	96.0	98.2	16.7	20.5%
Operating Expenses:								
Operations & Maintenance	63.6	66.5	69.3	71.6	73.6	75.9	12.3	19.4%
Depreciation & Amortization	<u>16.4</u>	<u>20.4</u>	<u>22.0</u>	<u>23.1</u>	<u>24.6</u>	<u>25.4</u>	<u>9.0</u>	<u>54.9%</u>
	80.0	86.9	91.2	94.7	98.2	101.3	21.3	26.6%
Other Income/(Expense)	0.3	(1.4)	(4.1)	(3.9)	(3.7)	(3.5)	(3.8)	-1171.4%
Net Income/(Loss)	1.9	(6.0)	(8.1)	(6.6)	(5.9)	(6.6)		
Before Capital Contribution								
Grants & Other Contributed Capital	25.8	21.3	17.3	13.2	18.4	1.8	(24.0)	-92.9%
Change in Net Assets	27.7	15.3	9.2	6.6	12.5	(4.7)		

The Projections also underscore the significance of external funding sources to the Port's ability to maintain its financial position. Grants and Other Capital Contributions

drive a positive bottom line – the change in net assets - throughout the five-year projection period. Significant here is the approval by the City electorate of general obligation bond measures in 2008 and 2012 that included funding for parks and open space projects on Port property (bond allocations of \$33.5 million in 2008 and \$34.5 million in 2012). This funding provides significant benefit to the community and also allows the Port to concentrate more of its limited resources toward revenue stability and enhancement. The ability to secure future voter approvals of general obligation bonds is critical to the Port's projected financial stability.

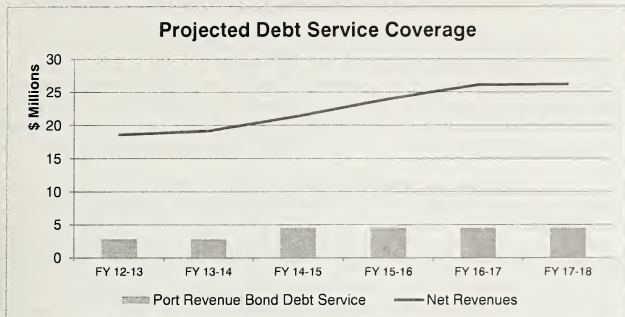
Projected Debt Service Coverage

The debt service coverage ratio is a common benchmark used to measure a borrower's ability to produce enough cash to cover its debt payments. This ratio of resources-to-debt is used by financial analysts and rating agencies to determine debt servicing ability. The Port has covenanted in its Revenue Bond contracts (aka "indenture") to maintain a minimum ratio of 1.30 times annual debt service coverage.

The Port has statutory authority to issue revenue bonds, which are solely repayable from the net revenues of the Port. The Port issued \$36.7 million in revenue bonds in 2010 and will be issuing additional revenue bonds in 2014. Covenants of the bond indenture ("Indenture") include that the Port will manage its business operations, establish and maintain rentals, fees and charges for the use of Port property and for services provided by the Port so that the net revenue, as defined in the Indenture, in each fiscal year will be at least equal to 130% of aggregate annual debt service for such fiscal year (or 1.30 times annual debt service). The Indenture calculation of net revenues excludes depreciation and amortization expense, as well as other non-cash items.

The lower portion of Attachment 1 contains the Port's debt service coverage calculation. Projected net revenues calculated pursuant to the Indenture support very strong Port revenue bond debt service coverage levels. In the forecast period, principal and interest debt payment requirements for Port revenue bonds are estimated at approximately \$4.5 million per annum, including payments to service the anticipated 2014 revenue bonds. Over the five-year period, debt service coverage is projected to be at least 4.70 times, which is well above the minimum required coverage of 1.30 times. This is a vast improvement over the Port's 1994 debt service coverage ratio of 1.0 times which resulted in a technical default of the Port's bond covenants and a downgrade of the Port's credit rating. Given this history, the Port Commission must remain mindful of the Port's debt service coverage requirements but, as illustrated in Chart 2, no future action is currently required.

Chart 2: Projected Debt Service Coverage



OBSERVATIONS RELATING TO THE PORT'S FINANCIAL CONDITION

With its premier waterfront real estate assets and strategic location in the Bay Area, the Port is vital as a regional, national, and international destination and unique/essential maritime service provider. Staff has performed an assessment of the Five-Year Financial Projections on the Port's income statement and impacts to the balance sheet. Staff's observations are summarized below and correlate to the same strengths that sustained the Port in the prior 5-year period.

1. Port operations are diverse and stable.

Lease provisions provide real estate operating revenue stability and flexibility through minimum guarantees, periodic cost of living increases in base rents, tenant responsibility for a portion or all of operating expenses, and termination options to affect a public project or rehabilitate facilities. The City's economic recovery has accelerated over the past year with growth in sales tax revenues, hotel room average occupancy, commercial rents, and average median home price – the effects of which benefit Port real estate revenues. The Port's maritime revenues are derived from a myriad of sources: cargo, cruise, ship repair, commercial and sport fishing, ferry and excursion operations, and harbor services. The projections show that cruise revenues will grow from the adoption of the \$6 passenger facility charge, growth in passenger volume, and new revenues from parking and special events hosted at the James R. Herman Cruise Terminal at Pier 27.

2. The Port maintains a healthy liquidity position.

The Port maintains healthy liquidity by sustaining high unrestricted cash balances. The unrestricted cash balance of \$80.37 million on June 30, 2013 represents 461 days of operating cash on hand. A healthy cash balance is expected through the forecast period.

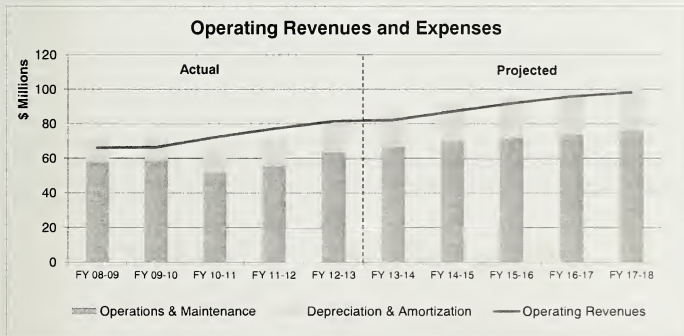
3. The Port's Debt portfolio is conservative in terms of debt structure and leverage position.

The Port's debt portfolio is entirely fixed rate with a stable annual debt service requirement. The Port also maintains a debt service reserve fund. This will be true after the issuance of the 2014 Port revenue bonds. The Port has maintained very strong debt service coverage levels for its Port revenue bonds and strong coverage is projected to continue through the forecast period, with a high of 6.7 times to a low of 4.7, well over the 1.3 times minimum requirement.

4. Projections reflect operating expenses outpacing operating revenues.

In focusing on historical and projected operating revenues and expenses, and if left unchecked, the Port's financial position is expected to deteriorate by FY 2017-18 given the significant growth in projected operating expenses. Although the Port's diverse revenue stream is projected to grow, the Port is poised to experience significant growth in operations and maintenance expenses as a result of increasing personnel costs as well as significant growth in depreciation and amortization expense from the large capital asset investments over the past few years. Excluding depreciation and amortization expense, the Port's projections indicate operating revenues growing at a similar pace with operations and maintenance expenses. From an operational standpoint, the Port's ongoing operating revenues are projected to cover operations and maintenance expenses during the projection period. However, in order to reduce the effects of depreciation and amortization of capital assets to the Port's net financial position, the Port must pursue opportunities to increase operating revenues, capital and other contributions, and reduce operating costs.

Chart 3: Historical and Projected Operating Revenues and Expenses



5. Revenue-generating opportunities and alternative financing strategies need to be pursued in order to improve the Port's position and fund future capital needs.

With operating expenses projected to outpace operating revenues, the Port Commission must carefully consider future development projects which may impact existing revenues in contrast to their potential for greater revenue generation and reduction in the Port's state-of-good-repair backlog. In light of projected declines in net operating revenues, the Port's ability to fund growing capital needs is a significant risk. Projected operating results reflect a declining net position with the effects of significant capital asset investment and associated depreciation and amortization of assets. These projections have been prepared separate from the Port's 10-year capital plan and as demonstrated herein, without additional funding sources, funding of critical infrastructure needs is a challenge. The projections in conjunction with the Port's 10-year capital plan highlight the Port's need for strategic initiatives to develop and implement legislative and financing strategies and partnerships to generate additional resources.

CONCLUSION

The Port's 5-year audited financial results illustrates the precise effect of the Port's financial policies and practices and measures the Port's ability to tightly manage its operations and investments to meet its desired outcomes. Such management has led to a unique diversification of revenues, a pursuit of grant and legislative opportunities to leverage Port resources, low debt to income burden, strong cash balances and relatively low vacancy and delinquency rates despite a significant economic downturn. The financial results underscore the Port's fortitude as an institution to meet its liabilities and challenges and yet deliver an unprecedented amount of new benefits to the people of California.

The Port's Five-Year financial forecast reflects a declining financial position in the midst of significant capital needs. As the Port contemplates future rehabilitation and development projects, the Port must carefully consider the potential impacts to both financial operations and the Port's balance sheet. As discussed, the Port must continue to identify and pursue opportunities for additional revenue generation as well as leverage relationships with private sector investor-partners and public agencies to create strategic solutions. While there are a variety of key development initiatives that the City will actively pursue, the focus also must be on projects that deepen the Port's revenue base to support both growing operational demands and the critical repair and replacement demand of the Port's waterfront infrastructure, including the seawall. The Port Commission and staff will need to make difficult decisions and remain vigilant in implementing policies and procedures to protect the Port's assets and financial stability for generations to come.

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Attachments:

Attachment 1 – Five-Year Financial Projections for FY 2013-14 to FY 2017-18

Attachment 2 – Assumptions and Methodology relating to the Financial Projections

Attachment 1: Five-Year Financial Projections for FY 2013-14 to FY 2017-18

CITY AND COUNTY OF SAN FRANCISCO PORT OF SAN FRANCISCO Projected Statement of Operations For FY 2013-14 to 2017-18

(All's in 000's of \$)	FY 2012-13 Audited	FY 2013-14 Forecast	FY 2014-15 Forecast	FY 2015-16 Forecast	FY 2016-17 Forecast	FY 2017-18 Forecast
OPERATING REVENUES						
Maritime						
Cargo	4,885.9	4,990.3	5,079.2	5,227.5	5,420.7	5,627.9
Ship Repair	1,553.5	2,110.3	1,905.3	1,546.1	1,593.2	1,443.1
Harbor Services	2,018.1	2,060.0	2,061.3	2,102.5	2,165.6	2,230.5
Cruise	2,825.4	3,162.0	5,053.8	6,271.1	6,620.8	6,806.6
Fishing	2,011.5	2,167.7	2,236.6	2,281.3	2,349.8	2,420.3
Other Marine	1,555.8	1,793.0	1,695.5	1,730.8	1,782.7	1,836.2
Miscellaneous Revenues - Maritime	10.6	0.0	0.0	0.0	0.0	0.0
Total Maritime	14,860.8	16,283.3	18,031.7	19,159.3	19,932.8	20,364.6
Real Estate & Asset Management						
Commercial/Industrial	43,266.3	44,733.5	47,819.6	50,308.1	53,027.1	54,369.0
Parking	17,774.4	18,124.5	20,048.7	21,228.0	21,652.6	22,085.6
Commercial Power Revenues	0.9	0.0	0.0	0.0	0.0	0.0
Filming & Special Event Revenue	47.6	50.0	51.0	52.0	53.0	54.2
Miscellaneous Revenues - R/E&AM	300.3	131.1	133.7	136.4	139.1	141.9
Total Real Estate & Asset Management	61,389.5	63,039.1	68,053.0	71,724.5	74,871.8	76,650.7
Other Operating Revenue	5,263.3	2,967.2	1,126.4	1,151.2	1,176.6	1,202.8
Total Operating Revenues	81,513.6	82,289.6	87,211.1	92,035.0	95,981.2	98,218.1
OPERATING EXPENSES						
Operations & Maintenance	63,615.6	66,547.2	69,264.8	71,615.1	73,616.4	75,932.3
Depreciation & Amortization	16,366.8	20,354.4	21,981.4	23,058.5	24,565.5	25,353.7
Total Operating Expenses	79,982.4	86,901.6	91,246.2	94,673.6	98,181.9	101,286.0
Operating Income	1,531.2	(4,612.0)	(4,035.1)	(2,638.6)	(2,200.7)	(3,067.9)
OTHER INCOME & (EXPENSES)						
Interest & Investment Income	23.9	1,071.5	961.7	1,065.0	1,173.5	1,299.8
Interest Expense	(1,439.5)	(2,783.6)	(5,015.7)	(4,985.4)	(4,901.0)	(4,812.9)
Gain/(Loss) on Sale of Assets	(5,821.2)	0.0	0.0	0.0	0.0	0.0
Other Income/(Expense)	3,268.6	(1,499.2)	0.0	0.0	0.0	0.0
Extraordinary Gain/(Loss)	4,296.1	1,780.3	0.0	0.0	0.0	0.0
Total Other Income/(Expense) - Net	327.9	(1,431.0)	(4,054.0)	(3,920.4)	(3,727.5)	(3,513.1)
NET INCOME/(LOSS) B4 Capital Contribution	1,859.1	(6,043.0)	(8,089.1)	(6,559.0)	(5,928.2)	(6,581.0)
Grants & Other Contributed Capital	25,832.0	21,345.8	17,275.0	13,200.5	18,380.5	1,843.8
CHANGE IN NET ASSETS	27,691.1	15,302.8	9,185.9	6,641.5	12,452.3	(4,737.2)
Calculation of Net Revenue Coverage:						
Operating Revenue	81,513.6	82,289.6	87,211.1	92,035.0	95,981.2	98,218.1
Interest Income Pooled Cash	603.1	533.0	533.0	656.0	820.0	984.0
Adj. For Pollution Remediation Cost Estimate	(2,810.0)	0.0	0.0	0.0	0.0	0.0
Penalty & Service Charge Income	244.4	244.4	244.4	244.4	244.4	244.4
Revenues	79,551.1	83,067.0	87,988.5	92,935.4	97,045.6	99,446.5
Operating & Maintenance Expenses	(63,615.6)	(66,547.2)	(69,264.8)	(71,615.1)	(73,616.4)	(75,932.3)
Adj. For Non-Cash OPEB Expense	2,666.0	2,666.0	2,666.0	2,666.0	2,666.0	2,666.0
Subtotal	(60,949.6)	(63,881.2)	(66,598.8)	(68,949.1)	(70,950.4)	(73,266.3)
Net Revenues	18,601.5	19,185.8	21,389.7	23,986.3	26,095.2	26,180.2
Revenue Bonds - Debt Service	2,845.9	2,846.7	4,549.1	4,551.5	4,546.7	4,551.4
Projected Debt Service Coverage	6.54	6.74	4.70	5.27	5.74	5.75
Required Min. Debt Service Coverage	1.30	1.30	1.30	1.30	1.30	1.30

Attachment 2

Assumptions and Methodology relating to the Financial Projections

Financial Projections Methodology

Port staff regularly prepares and monitors Port operations on a budgetary basis which focus primarily on revenue sources currently available for spending and currently authorized expenditures. The Five-Year Financial Projections are prepared in accordance with the accrual basis of accounting – revenues are recorded when earned and expenses are recognized at their full value as soon as the obligation is incurred. Port staff across all operating divisions worked together and adjusted for these different accounting requirements, essentially timing differences.

The balance of this section summarizes the major financial assumptions used in the preparation of the projections.

Operating Revenues

Staff projects that over the next five years Operating Revenues will increase by \$16.7 million (20%), from \$81.5 million in FY 2012-13 to \$98.2 million in FY 2017-18, with an average growth of \$3.3 million (3.8%) per year. The five-year increase is derived from Port's two business lines, \$5.5 million from Maritime operations and \$15.2 million from Real Estate operations, offset by a \$4.0 million decrease in one-time Other Revenues.

Maritime revenues

General – Absent specific assumptions concerning major transaction events, the Maritime projections assume annual CPI increases as follows: 2% for FY 2014-15 and FY2015-16 and 3% thereafter.

Cruise – Construction of the James R. Herman Cruise Terminal will be completed and the new cruise terminal will be operational later in 2014. The anticipated cruise calls, increase in passenger volumes, new \$6 passenger facility charge, and new special events and parking revenues is expected to contribute \$4.0 million of the \$5.5 million five-year increase from maritime operations. The number of cruise passengers is expected to increase from 202,000 in FY 2012-13 to over 261,000 by FY 2014-15.

Cargo – The projections assume no significant new cargo business will be generated at the Port's Pier 80 facility during the forecast period. Dockage and wharfage is projected to increase 8.7% in FY 2014-15 and then 10.0% annually thereafter, on the strength of higher dockage revenues projected for the Pier 94 facility. Cargo facility rents are projected to increase by 10.1% in FY 2013-14 due to scheduled rate increases for the sand and aggregate tenants located in the Southern Waterfront. Rental revenues are then projected to remain flat for FY 2014-15, grow by 1.6% in FY 2015-16, and then grow by 2.5% in both FYs 2016-17 and 2017-18.

Ship Repair – Revenues are projected to decline and flatten during the forecast period. Increased competition for ship repair business is expected first from Vigor Marine located in Oregon and also due the expansion of the Panama Canal, which will permit larger post-Panamax ships to move much more easily from the Pacific to the Gulf of

Mexico and the Atlantic ocean, allowing drydock operations in the Southern and the Eastern US to vie for previous West Coast ship repair business. Contributing to the decline in projected revenues for the last year of the forecast period is the full amortization of tenant improvement credit in December, 2017, commensurate with the expiration of the current lease. It is also assumed that a new lease will take effect in January, 2018 on essentially the same terms as the expiring lease.

Real Estate Revenues

General – Real Estate projections assume that leases expiring during the forecast period are renewed or replaced with leases generating similar rents to those of the expiring leases. Projected revenues include scheduled rental increases, and annual CPI increases, as follows: CPI increases of 2% in FY 2014-15 and thereafter for fixed rent lease income and CPI increases of 7.5%, 5%, and 2% in FY 2014-15, FY 2015-16, and thereafter, respectively, for other real estate revenues.

Real Estate revenues in the current forecast period do not reflect the potential impact of major development projects that are in on-going negotiations with developers because of uncertainty related to timing and final deal terms.

Commercial/Industrial Rent - Over the five year period, Commercial/ Industrial rent is expected to increase by \$11.1 million (26%), reflecting CPI adjustments and certain new leasing activities. The projections assume the following leasing activities:

- The re-leasing of the former AC34 venue sites will begin in July, 2014 and will take up to two years for full lease-up. The sites are assumed to return to the tenant mix in place prior to AC34 and will add an estimated \$3.5 million to revenues by the end of the forecast period.
- Pier 38 is expected to begin generating rent in the 2nd quarter of FY 2015-16 at an annual rate of \$300K, and then increase annually at the “fixed rental” CPI rates noted above.
- The upstairs portion of Pier 33 has been off-line for several years. A complete core and shell build-out, and ADA upgrade of the space has recently been completed. It is assumed that the space will generate rent of approximately \$202K per year beginning at the start of FY 2014-15. Rent is forecasted to increase at the fixed rental CPI rates noted above.
- The projections assume that the Pier 31 shed will re-open and re-leased beginning in FY 2015-16, after structural and other repairs have been completed. Full lease up of the facility is projected to take 18 months, or more. The shed is projected to generate revenues of \$756K when fully leased in FY 2017-18.
- Other new leases anticipated during the forecast period include a new restaurant space at Pier 50 and a major new auto fleet storage tenant at Pier 96.

Parking - Over the five year period, parking revenue is expected to increase \$4.3 million (24%) reflecting CPI adjustments and certain new leasing activities. Significant activity during the projection period includes the re-leasing of the former AC34 venue sites. Given the strong demand for parking along the waterfront, it is assumed that the lease-up of these sites would be completed within 12 months and will add an estimated \$1.9 million to revenues by the end of the forecast period. Additional revenue of

approximately \$136K annually is expected beginning in FY 2015-16 from new parking lot at 20th Street and Illinois. Revenues from this lot are projected to increase in subsequent years at the CPI rates assumed for all "other real estate revenues", as outlined above. All other parking revenues, parking meters, parking stalls and parking fines, are projected to increase at the CPI rates assumed for all "other real estate revenues" through the forecast period.

Other Operating Revenue

These revenues consist of permit revenues, development fees and charges, and various miscellaneous revenues.

Permit revenues fluctuate with the level of construction activity on Port property. Permit revenues for FY 2012-13 were higher than average due, in part, to revenues generated from AC34 related construction activity. Construction activity is projected to return to more normal levels in FY 2013-14 and grow by 3% annually during the forecast period.

Development fees and expense recoveries realizable from prospective developers fluctuate with stage and progress of on-going negotiations. The projections conservatively assume \$1.0 million in FY 2013-14, and \$300k thereafter for certain limited reimbursements. No new development projects are projected during the forecast period and no new development fee income is anticipated. The projections do not include additional development expenses from the City Attorney, outside counsel and consultants services because these expenses. If incurred, these costs will be fully recovered as outlined in adopted Exclusive Negotiating Agreements.

Miscellaneous revenues assume a \$200K base level of income with 3% growth during the forecast period. Except for a projected \$970K in FY 2013-14 representing the final payment-in-lieu of rent to be received from the City pursuant to an MOU (lost rent associated with hosting AC34); no other significant one-time revenue is anticipated during the forecast period.

Interest and Investment Income

Interest rates used in the projection for City pool funds are based on actual investment performance and gradual increases beginning in FY 2015-16 (current interest earnings rate of 0.65%, 0.80% in FY2015-16 , 1.20% in FY2017-18).

Other Income

One-time \$1.8 million is anticipated in FY2013-14, representing certain insurance recoveries.

Operating Expenses

Total Operating Expenses are projected to increase by \$21.3 million (27%), from \$80.0 million in FY 2012-13 to \$101.3 million in FY 2017-18, with an average growth of \$4.3 million (5%) per year. This change reflects increases in Operations & Maintenance Expenses of \$12.3 million, or 19% over the five-year period, and Depreciation and Amortization of \$9.0 million, or 55% over the five-year period.

General – For Operations & Maintenance Expenses, the projection reflect a 3.0% annual increase in most expense items for all years forecasted. The City's Controller's Office also provides certain information to guide multi-year budgets and financial planning.

Personnel Expenses – Salary and mandatory benefit expenses are projected to increase \$6.5 million (20%), representing 53% of all Operations and Maintenance Expenses growth over the five year period – from \$32.9 million in FY 2012-13 to \$39.4 million in FY2017-18. This change is primarily due to the addition of 5 staff positions, inflation of current salaries and ongoing growth in benefit costs. Benefit cost assumptions include the following:

- retirement plan employer contribution of 20.1% of total salaries in FY 2013-14, 23.1% in FY 2014-15, 24.0% in FY 2015-16, 23.1% in FY 2016-17, and 22.8% in FY 2017-18;
- increases in health and dental benefit expenses of 1% in FY 2013-14, and 6.0% thereafter; and
- annual increases of 3.0% in most other personnel benefit costs.

Also included in projected benefit expenses are estimated charges for "other post-employment benefits" (OPEB benefits) of \$2.67 million annually, consistent with the FY 2012-13 charge. No growth in OPEB benefit costs is assumed during the forecast period.

Services of Other City Departments – The charges for use of City Services are projected to increase \$2.9 million (17%), representing 24% of all Operations and Maintenance Expenses growth over the five year period – from \$17.2 million in FY 2012-13 to \$20.1 million in FY 2017-18. The Port use of some City services varies from year to year but many are normalized as an integral part of the Port's recurring operations. The forecasted amounts were calculated in coordination with the Port's budget manager and take into consideration all available budgetary estimates to either establish or re-set a baseline level of expense, after which a general 3% growth factor is applied.

Services provided by City departments include: fireboat operations and maintenance from the Fire Department, legal and litigation-related services from the City Attorney's Office, street cleaning, direct and contractual services from the Department of Public Works, services provided by the City Purchaser, contract compliance review services by the City Administrator's Contract Monitoring Division, security services from the Police Department, risk management consulting services through the City Risk Manager, supplemental plan check services from the Department of Building Inspection, parking meter system maintenance and collection services from and through the San Francisco Municipal Transportation Agency, communications and network services from the Department of Technology and real estate services from the Department of Real Estate.

Estimated Environmental Liabilities and Other Current Expenses – Pollution remediation obligations are monitored and regularly evaluated at each June 30 balance sheet date.

Updated estimates have reduced the likely total remediation costs at Pier 70 which were initially accrued in FY 2008-09 at \$27.5 million. More information concerning the Port's pollution remediation obligations can be found in Note 18 to the audited financial statements. The change in liability estimate at June 30, 2013 resulted in a non-cash credit to Other Current Expenses of \$2.8 million. Additional significant changes to estimated environmental liabilities are not anticipated during the forecast period. The Other Current Expense line item is expected to normalize a base level of \$1.3 million for FY 2013-14, with 3% annual growth thereafter.

Depreciation and Amortization – Over the five year period, depreciation and amortization expense is projected to increase \$9.0 million (55%) as a result of major capital improvements during the projection period (using the straight-line method applied over estimated useful life of assets).

Debt Related Expenses

Interest Expense – Projected interest expense includes interest payments on a planned new issuance of Port revenue bonds of up to \$30 million, plus scheduled interest payments on the following Port debt obligations:

- a \$36.65 million issuance of Port revenue bonds in 2010;
- a \$37.70 million City Certificates of Participation (COPs) issuance, the proceeds of which are being used for Port projects;
- a \$3.50 million loan from the California Department of Boating and Waterways Cal Boating; and
- a \$1.15 million loan from the San Francisco Public Utilities Commission for energy improvements.

The projected increase in interest expense over the forecast period reflects the interest expense associated with the newly issued City COPs, and the pending new issuance of Port revenue bonds. The estimated interest payments for the upcoming revenue bond issuance are based on the latest estimates from the Port's financial advisors.

Other Expenses, debt issuance costs – A change in governmental accounting rules effective for FY2013-14 requires debt issuance costs to be expensed in the period incurred. Other Expenses for FY 2013-14 includes \$1.5 million for expected debt issuance costs associated with the following: (i) a recently completed City COPs issue, the proceeds of which are being used for Port projects, and (ii) the pending new issuance of Port revenue bonds.

Capital Grants and Other Capital Contributions

The Port estimates that it will receive \$72.0 million in grant funding and capital contributions over the next five years:

	<u>Amount (\$M)</u>
Bonds	\$50.5
Security Grants	6.7
City/ACOC Funding	1.6
Army Corps for Central Basin	3.5

Other Grants & Contributed Capital
Total

9.7
\$72.0

The Port receives waterfront park bonds funding from the City and County of San Francisco for the construction of various Port parks and open space improvements. The funding is part of the Clean and Safe Neighborhood Parks bond issues that voters approved in 2008 and 2012.



MEMORANDUM

February 7, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer
Executive Director *Moyer*

SUBJECT: Request Approval of the Port's Ten-Year Capital Plan for FY 2015-2024

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

This memorandum presents the update to the Port of San Francisco's Ten-Year Capital Plan for Fiscal Year 2015-2024 (Capital Plan). The Capital Plan provides the public with reporting on the Port's capital strategy, including a comprehensive inventory of the Port's facilities, current conditions and capital needs, and available and projected capital resources over the next ten years. It is an important reference document that supports and guides capital expenditure and investment decisions by the Port Commission and staff.

Background

The Port produced the first ten-year outlook in 2006, and has updated and augmented the capital plan in each subsequent year. In 2005, the Board of Supervisors, in Administrative Code section 3.20, mandated the creation of a citywide ten-year capital plan and the Port's own plan became a part of the City's larger plan. Each year, following approval by the Port Commission, the Capital Plan is submitted to the City's Capital Planning Committee for inclusion in the City plan. The Capital Planning Committee reviews and recommends the City plan to the City Administrator who in turn submits the plan to the Mayor and the Board of Supervisors. In 2011, the City's Capital Planning Committee instituted an amendment to Section 3.20 of the Administrative Code shifting the annual requirement to every two years, in keeping with the City's biennial budget practices. The next full update of the City's capital plan will be in 2015; nevertheless, the Port continues to update this plan annually.

THIS PRINT COVERS CALENDAR ITEM NO. 8B

Prior Year Accomplishments

The Capital Plan represents the guiding document for the Port's capital investments, and provides an assessment of capital needs, the investment required to meet those needs, and a plan to finance them. Since the first plan in 2006, this document has provided a solid framework for the Port's investments to maintain and enhance its assets. It has guided the expenditure of nearly \$196 million in non-developer funding, which represents a level of investment not by the Port since the 1960s. Additionally, the plan's findings and priorities have been used to inform inclusion of Port's parks in the City's General Obligation Bond program, issuance of Port revenue bonds and preparations for the 34th America's Cup.

The celebration of the Port's 150th anniversary was highlighted by the following major accomplishments in 2013:

1. Construction of Phase 1 of the James R. Herman Cruise Terminal at Pier 27;
2. The opening of the Exploratorium at Pier 15;
3. Completion of major waterfront parks and shoreline improvements in Fisherman's Wharf, South Beach, Mission Bay, and Bayview Hunter's Point;
4. Hosting of the 34th America's Cup regattas on the San Francisco Bay;
5. Rebuild of the Pier 29 bulkhead following a devastating fire; and
6. Removal of the decrepit Pier ½ and Pier 36.

In the past three years, the Port has seen a dramatic uptick in capital investment, with approximately \$138 million expended for a variety of projects that have advanced the Port's maritime commerce mission, engaged people at the waterfront, and made substantial progress toward reducing the Port's capital backlog. The James R. Herman Cruise Terminal project, park projects, and the City's commitment to host the 34th America's Cup drove much of the Port's recent investment.

These experiences yielded important insights that have advised this plan:

- As demonstrated by the James R. Herman Cruise Terminal and the rebuild of the Pier 29 bulkhead, the City has the expertise and capacity to direct major new investment within a very short timeframe;
- Port Maintenance staff are the Port's most cost-efficient and effective means of rebuilding most pier aprons and bringing pier sheds into code compliance;
- The Port excels at designing and building public parks and managing historic rehabilitation improvement projects; and

- In order to deliver major waterfront improvements, the Port requires a comprehensive strategy to obtain entitlements and regulatory approvals, particularly for in-water construction.

Pursuant to direction from the Port Commission, this year's plan continues progress made in recent years to expand and stabilize capital funding from the Port's operating budget. Port staff has also continued to refine the capital project scoring process, with an inter-divisional focus on project readiness and financial outcomes.

While the plan is a forward looking document, it is also the Port's history of continual improvement that has generated opportunity for growth, and leveraged even greater opportunity. It provides a solid framework and confidence-building, holistic view of the Port to interested constituents, as well as to general audiences.

Capital Project Investment Priorities

The projects and investments prioritized in the Capital Plan are guided by criteria the Port Commission believes respond to basic public safety and environmental needs, optimize resources that address the Port Commission's fiduciary responsibilities, and strike a balance among diverse public interests. Port staff used the following criteria to set investment priorities:

- Basic repairs and improvements to existing facilities that support continued leasing and revenue generation;
- Infrastructure improvements, including seawall, substructure, and utility repairs that respond to the shared objectives of protecting public safety, improving environmental quality, and responsible stewardship of historic resources along the waterfront;
- Improvements to retain and support San Francisco's diverse maritime and industrial tenants;
- Investments in waterfront parks and public open space that meet public trust needs and acknowledge the increasing role of Port lands in addressing City economic and quality-of-life objectives; and
- Strategic waterfront development that leverages private investment to support City policies and transform the waterfront, while reducing the Port's capital liability and enhancing land value.

Capital Need Estimates

This year's Capital Plan identifies a total need of \$1.59 billion (plus an additional \$464.3 million for conditional seismic work). The need is primarily for deferred maintenance and subsystem renewal work required on Port facilities. For purposes of this plan, "need" is defined as projects that are required to maintain Port property in a state-of-

good-repair for existing use over the next ten years. In this context, need excludes seismic upgrades (which may or may not be triggered by code requirements) and capital enhancements (such as building new infrastructure or parks along the waterfront). This distinction among different project types is a part of the architecture of the Port's capital modeling software, the Facilities Renewal and Reinvestment Model (FRRM), which is also used by the City to project all General Fund departments' capital needs.

This \$1.59 billion in need is essentially the same as the need identified in the Port's prior year (FY2014-23) capital plan. Table 1 summarizes adjustments to the estimates from last year. Completed projects and project cost savings help to lower the need. Port tenants with long-term leases are responsible for addressing a portion of annual renewal needs. Updated project cost estimates are based on more detailed engineering designs for development projects at Piers 30-32 and Pier 70. Inflation plus the addition of a new tenth year (in this case FY2024) for renewal of building subsystems that reach the end of their useful life in year ten add to the projected need. Additionally, the prior year one (in this case FY2014) is added to the backlog for projects that were not completed.

Table 1 -- Port Capital Need Estimates

Changes From Prior Year Plan	State of Good Repair				Seismic (millions)
	Backlog (millions)	Renewal (millions)	One-Time (millions)	Total (millions)	
<i>Prior Year (FY2014-23) Plan</i>	<i>\$586.9</i>	<i>\$523.0</i>	<i>\$480.3</i>	<i>\$1,590.2</i>	<i>\$449.6</i>
Completed repairs or project cost savings	(48.2)	(15.4)	(7.3)	(70.9)	(0.1)
Updated project cost estimates	51.6		(77.4)	(25.8)	(5.3)
Leased facility improvements (by tenants)		(30.6)		(30.6)	
New year ten (FY2024) project costs		46.5	18.9	65.4	
Escalation (4.5%)	23.1	20.5	18.6	62.2	20.1
FY2015-24 Plan	\$613.4	\$544.0	\$433.1	\$1,590.5	\$464.3

As Table 1 illustrates, the total need of \$1.59 billion for state-of-good-repair projects includes an estimated \$544.0 million for capital renewal, which represents the amount needed over the next ten years to maintain facilities in a state-of-good-repair, as projected in the FRRM database. This plan shows an existing backlog for deferred maintenance of \$613.4 million, with another \$433.1 million for other one-time expenses, which represent non-cyclical needs typically driven by changes in code requirements. Investments for seismic repairs may or may not be required during the ten-year period; as such, the \$464.3 million cost of seismic work is not included in the total need, but is shown separately.

Capital Expenditures

The Capital Plan identifies \$1.14 billion in funds that are projected to be available

during the ten-year plan period. This plan differentiates expenditure of those funds into two categories: (1) capital projects that help maintain the Port's facilities in a state-of-good-repair, and (2) enhancement projects that add value to the Port property. Table 2 provides a breakdown of capital expenditures and funding sources by expenditure type.

Table 2 -- Port Capital Expenditures

Funding Source	Repair (millions)	Enhancement (millions)	Total (millions)
Port Capital Budget	\$130.5	\$15.7	\$146.2
Port Revenue Bonds & COPs	11.1	19.5	30.6
Port Tenant Improvements	242.4	0.0	242.4
General Obligation Park Bonds	5.5	67.9	73.4
Federal, State, & Local Grants	36.9	124.9	161.7
Development Projects	243.2	243.2	486.4
FY2015-24 Plan	\$669.5	\$471.3	\$1,140.8

Enhancement projects include expenditures for the second phase of the James R. Herman Cruise Terminal, parks and open space improvements, a planned expansion of the downtown ferry terminal docks and gates, and anticipated development projects at Piers 30-32, Pier 70, and Seawall Lot 337 and Pier 48. While a portion of the planned expenditures for each of these projects will address the backlog of deferred maintenance and needed repairs (and in some cases seismic conditions), they also include elements that support new uses, which are characterized as enhancements.

In a departure from previous plans, this plan distinguishes between internally- and externally-generated sources of funds. Internally-generated funding sources include (1) Port capital funds, (2) Port revenue bonds, and (3) tenant obligations. Together, these sources are projected to generate \$419.3 million, of which the Port will apply \$384.0 million (or 92 percent) to state-of-good-repair projects and \$35.3 million (or 8 percent) to capital enhancement projects. Externally generated sources include (1) development projects, (2) general obligation bonds, and (3) grants. This plan projects these sources to generate \$721.5 million, of which the Port will apply \$285.6 million (or 40 percent) to state-of-good-repair projects and \$436.0 million (or 60 percent) to enhancement projects (including \$78.5 million in seismic work).

This year's plan represents a significant improvement from prior year plans in the Port's ability to address state-of-good-repair needs over the next ten years. Whereas prior year plans have characterized all development project funding as enhancements, as those projects become better defined, a significant portion of the investment can now be attributed to addressing state-of-good-repair needs or seismic conditions of the facilities within the project development area. Similarly, a small portion of park improvements address state-of-good-repair, as well as some of the Port's revenue bond projects. Overall, the plan reflects a more balanced expenditure of funds, with nearly 59 percent going towards state-of-good-repair and 41 percent towards enhancement projects. Further, most of the Port's internally generated funding sources are directed towards state-of-good-repair projects, whereas enhancement projects are more dependent on externally generated funds.

Unmet Needs

While the plan projects nearly \$1.14 billion in capital investments over the next ten years, at the end of that period the Port will still face a backlog of \$921 million for needed improvements, and possibly another \$386 million in conditional seismic work. The Port must continue to explore ways to address these unfunded needs, including building partnerships to attract new sources of funds. Some facilities, such as Piers 26, 28, and 54, do not appear viable for rehabilitation with present day financing tools. The Port will work with stakeholders and the public to determine the future of these facilities.

Conclusions of the Ten-Year Capital Plan

The Port's Ten-Year Capital Plan continues to evolve since its inception eight years ago. The Port has used the information that the Plan generates to develop and implement its legislative and financing strategies to redevelop the City's waterfront, fulfill its public trust mission, and guide the stewardship of its extensive assets.

Importantly, since the first plan in 2006, the Port has used this document to guide a total in investment of nearly \$196 million dollars in non-developer funding. This represents a level of Port investment not seen in more than 40 years. Still, a persistent gap remains between the Port's available resources and ever growing need. It is a clear challenge, but one the Port has demonstrated it has the fortitude as an institution to meet with multiple strategies.

The Capital Plan has enabled stronger application for federal grant funding, and stronger footing for inclusion in future City-sponsored general obligation bonds. The plan also served a vital role in supporting legislative changes to the Port's ability to develop Seawall Lot 337, Pier 70, and Piers 30-32 by securing tax increment to pay for public infrastructure investments in these proposed development project areas.

These and other development projects remain the principal drivers of potential waterfront improvements, representing 36 percent of the state-of-good-repair funding and 52 percent of the proposed capital enhancements in the ten-year period of this year's plan. To be sure, these revenues are dependent on approval of the projects themselves. To date, all of the Port's major development projects have enjoyed very strong public support through the public process. With the notable exception of the SWL 351/8 Washington Project, which was the subject of a successful voter referendum overturning the Board of Supervisors' approval of that project, each of the Port's major development projects has enjoyed unanimous votes at the Board of Supervisors. The largest threats to the funding strategy presented in this year's Capital Plan is a significant change in the real estate market or a dramatic change in the political climate vis-à-vis waterfront development.

Hosting the 34th America's Cup in 2013 in the newly constructed James R. Herman Cruise Terminal during the Port's 150th year stands out as a seminal event for the Port. The potential for a 35th America's Cup and the prospect of transformative new

developments south of the Bay Bridge portend continuing excitement and challenges for the Port Commission, staff and public over the next three to five years. The next big capital planning challenge for the Port is to involve sister City agencies and regulatory partners in examining the Port's 100-year-old seawall to address its structural stability facing both a seismic event and future sea level rise. The long-range improvements to the City's seawall and marginal wharf will require a coordinated planning and funding strategy that will need to be reflected in future updates of this plan.

Finally, the preliminary success of the Port-BCDC planning study and the Port's desire to reposition its northern waterfront piers for different uses through a public process underscore the need for strong public outreach and comprehensive planning. The Port must always take care to ensure that there is a strong local and regional public consensus regarding the future of one of the most beautiful public waterfronts in the world.

Next Steps

Port staff seeks Port Commission adoption of the proposed Ten-Year Capital Plan for FY 2015-2024.

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Attachment: Port of San Francisco Ten-Year Capital Plan FY 2015-2024 Update

**PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-08

- WHEREAS, In 2006, the Port of San Francisco completed its first Ten-Year Capital Plan, assessing the Port's capital needs through a process that included a review of 39 pile-supported pier structures, 80 substructures including marginal wharfs connecting the piers, 245 commercial and industrial buildings, over three miles of streets and sidewalks, as well as elements of the utility infrastructure that supports them; and
- WHEREAS, Port staff update the Ten-Year Capital Plan annually to reflect changes in the condition of the Port's facilities, new structure evaluations, completed work, changes to funding sources, and changes in budget and financing assumptions; and
- WHEREAS, The FY2015-24 Ten-Year Capital Plan, the ninth iteration of the plan, identifies \$1.59 billion in required repairs and \$464.3 million in conditional seismic upgrades over the next ten years; and
- WHEREAS, Of the \$1.14 billion in proposed funding, the Port's Ten-Year Capital Plan identifies \$669.5 million for state-of-good-repair projects and \$471.3 million for capital enhancement projects and seismic upgrades over the next ten years; and
- WHEREAS, This funding, from the Port's annual budget, revenue bond proceeds, certificates of participation, Port tenants, general obligation bond proceeds, grants, and development projects, will reduce the Port's unfunded state-of-good-repair need from \$1.59 billion to \$921 million by 2024 if realized; now, therefore, be it
- RESOLVED, That the Port Commission adopts the Port's FY2015-24 Ten-Year Capital Plan Update.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of February 11, 2014.

Secretary

Port of San Francisco



Ten-Year Capital Plan

FY 2015-2024 Update

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I. EXECUTIVE SUMMARY

The Capital Plan represents the guiding document for the Port's capital investments, and provides an assessment of capital needs, the investment required to meet those needs, and a plan to finance them. The FY2015-24 update of the plan reflects improvement from prior year plans in the Port's ability to address its capital needs over the next ten years. While the overall need is still substantial, some of the strategies the Port has put in place are beginning to yield results. The celebration of the Port's 150th anniversary was highlighted by the following major accomplishments in 2013:

- The opening of the Exploratorium at Pier 15;
- Hosting the 34th America's Cup regattas on the San Francisco Bay;
- Completion of major waterfront parks and shoreline improvements in Fisherman's Wharf, South Beach, Mission Bay, and Bayview Hunters Point; and
- Construction of the James R. Herman Cruise Terminal and Northeast Wharf Plaza at Pier 27.

Since its inception in 2006, the Capital Plan has provided a solid framework for the Port's investment to maintain and enhance its assets. In particular, the Port has utilized the plan's findings and priorities to guide issuance of its revenue bonds as well as preparations for the 34th America's Cup.

In the past three years, the Port has seen a dramatic uptick in capital investment, with approximately \$138 million expended for a variety of projects that have advanced the Port's maritime commerce mission, brought people to the waterfront, and made substantial progress toward reducing the Port's capital backlog. The James R. Herman Cruise Terminal project, park projects, and the City's commitment to host the 34th America's Cup drove much of the Port's recent investment.

These experiences yielded important insights that have advised this plan:

- As demonstrated by the James R. Herman Cruise Terminal and the rebuild of Pier 29 after a fire, the City has the expertise and capacity to direct major new investment within a very short timeframe;
- Port Maintenance staff are the Port's most cost-efficient and effective means of rebuilding most pier aprons and bringing pier sheds into code compliance;
- The Port excels at designing and building public parks and managing historic rehabilitation improvement projects; and

- In order to deliver major waterfront improvements, the Port requires a comprehensive strategy to obtain entitlements and regulatory approvals, particularly for in-water construction.

Pursuant to direction from the Port Commission, this year's plan continues progress made in recent years to expand and stabilize capital funding from the Port's operating budget. Port staff has also continued to refine the capital project scoring process, with an inter-divisional focus on project readiness and financial outcomes.

The strategic, ongoing challenges to the Port discussed in detail in this plan are ever present in the minds of the Port staff: the seawall, tidal flooding and sea level rise; the need for Port-BCDC planning studies; the Port's yellow- and red-tagged facilities; ongoing problems posed by underpier utility infrastructure; revitalization of the southern waterfront; seizing the opportunity to find higher and better uses of certain waterfront facilities presented by the 34th America's Cup; and the relentlessly increasing cost of dredging the Port's berths. Daunting as these challenges may be, the Port staff has developed concrete strategies for addressing them.

With respect to the Port's annual recalculation of needs, this plan identifies a total need of just over \$1.59 billion over the ten-year period (plus an additional \$464.3 million for conditional seismic work), primarily for deferred maintenance and subsystem renewal work required on Port facilities.

Changes From Prior Year Plan	State of Good Repair				Seismic (\$ millions)
	Backlog (\$ millions)	Renewal (\$ millions)	One-Time (\$ millions)	Total (\$ millions)	
<i>Prior Year (FY2014-23) Plan</i>	\$586.9	\$523.0	\$480.3	\$1,590.2	\$449.6
Completed repairs or project cost savings	(48.2)	(15.4)	(7.3)	(70.9)	(0.1)
Updated project cost estimates	51.6		(77.4)	(25.8)	(5.3)
Leased facility improvements (by tenants)		(30.6)		(30.6)	
New year ten (FY2024) project costs		46.5	18.9	65.4	
Escalation (4.5%)	23.1	20.5	18.6	62.2	20.1
FY2015-24 Plan	\$613.4	\$544.0	\$433.1	\$1,590.5	\$464.3

The total need of \$1.59 billion for state-of-good-repair projects includes an estimated \$544.0 million for capital renewal, which represents the amount needed over the next ten years to maintain facilities in a state-of-good-repair, as projected in the FRRM database. This plan shows an existing backlog for deferred maintenance of \$613.4 million, with another \$433.1 million for other one-time expenses. Investments for seismic repairs may or may not be required during the ten-year period; as such, the \$464.3 million cost of seismic work is not included in the total need, but is shown separately.

The plan projects total sources of \$1.14 billion will be available during the ten-year period, of which the Port will use \$669.5 million to fund state-of-good-repair and \$471.3 million to fund capital enhancement projects (including seismic work). At the end of the ten-year period, the

Port will reduce its state-of-good-repair needs by 42 percent, from \$1.59 billion to \$921.0 million and its conditional seismic needs from \$464.3 million to \$385.8 million.

In a departure from previous plans, this plan separates internally- and externally-generated sources into separate discussions. Internally-generated funding sources include (1) Port capital funds, (2) Port revenue bonds, and (3) tenant obligations. Together, these sources are projected to generate \$419.3 million over the next ten years, of which the Port will apply \$384.0 million (or 92 percent) to state-of-good-repair projects and \$35.8 million (or 8 percent) to capital enhancement projects.

Internally-Generated Funding Sources	Repair (\$ millions)	Enhancement (\$ millions)	Total (\$ millions)
Port Capital Budget	\$130.5	\$15.7	\$146.2
Port Revenue Bonds & COPs	11.1	19.5	30.6
Port Tenant Improvements	242.4	0.0	242.4
Total	\$384.0	\$35.3	\$419.3

Externally generated sources include (1) development projects, (2) general obligation bonds, and (3) grants. This plan projects these sources to generate \$721.5 million, of which the Port will apply \$285.6 million (or 40 percent) to state-of-good-repair projects and \$436.0 million (or 60 percent) to enhancement projects (including \$78.5 million in seismic work).

Externally-Generated Funding Sources	Repair (\$ millions)	Enhancement (\$ millions)	Total (\$ millions)
General Obligation Park Bonds	\$5.5	\$67.9	\$73.4
Federal, State & Local Grants	36.8	124.9	161.7
Development Projects	243.2	243.2	486.4
Total	\$285.6	\$436.0	\$721.5

The legislative program remains as vibrant as ever. In 2013, Port staff worked with the Office of Economic and Workforce Development (OEWD) and Assemblymember Phil Ting to win passage of AB 1276 to guide development at Piers 30-32. In anticipation of submitting major development project term sheets for SWL 337 and Pier 48 and the Pier 70 Waterfront Site, Port staff worked with the City Administrator's Capital Planning Committee (Capital Planning Committee) and the Board of Supervisors to adopt City guidelines for the use of Infrastructure Financing District tax increment to improve Port property. Port staff also collaborated with West Coast ports and Senator Barbara Boxer to include provisions in the pending Water Resources Development Act of 2014 which may provide for badly needed federal assistance with the Port's berth dredging program.

The Port's Ten-Year Capital Plan continues to evolve since its inception eight years ago. The Port has used the information that the plan generates to develop and implement its legislative and financing strategies to redevelop the City's waterfront, fulfill its public trust mission, and guide the stewardship of its extensive assets.

Since the first plan in 2006, the Port has used this document to guide a total in investment of nearly \$196 million in non-developer funding. Still, a persistent gap remains between the Port's available resources and ever growing need. It is a clear challenge, but one the Port has

demonstrated it has the fortitude as an institution to meet. While the plan is a forward looking document, it is our history of continual improvement that has generated opportunity for growth, and leveraged even greater opportunity. It provides a solid framework and confidence-building, holistic view of the Port to interested constituents, as well as to general audiences.

II. INTRODUCTION

This report presents the Port of San Francisco's Ten-Year Capital Plan for Fiscal Year 2015 – 2024 (FY2015-24). The Ten-Year Capital Plan (Capital Plan) is updated annually and provides the public with reporting on the Port's capital strategy, including a comprehensive inventory of the Port's facilities, current conditions and capital needs, and available and projected capital resources over the next ten years. It is an important reference document that supports and guides capital expenditure and investment decisions by the Port Commission and staff, and also is included as a chapter of the Ten-Year Capital Plan of the City and County of San Francisco, which is updated biennially.

The Port produced the first ten-year outlook of its capital needs in 2006. That achievement was significant because it provided a complete inventory of the Port's facilities, which span 7½ miles of waterfront stretching from Fisherman's Wharf to India Basin in Bayview-Hunters Point, including piers, wharves, roadways and upland properties along San Francisco Bay. The Port undertook a laborious process of characterizing the general condition of each of its facilities in a newly defined capital portfolio, including generation of estimates for needed capital repair, proposed enhancements and seismic upgrades. This, together with a reporting of various existing and projected sources of funding, enabled the public to understand for the first time the magnitude of the Port's capital needs, as well as the limited resources available to address them. As reflected then and in this current update, existing and projected funding continues to fall short; the FY2015-24 plan identifies funding to address approximately 42 percent of the needed investment in "state-of-good-repair" work to maintain facilities over the next ten years.

As a routine matter, each year the Port staff has updated the Capital Plan to incorporate new information learned over the previous year and improve the Port's overall estimation of the condition of its capital assets. Over time, an increasingly valuable aspect of the capital planning process has been the review of emerging challenges and opportunities, and the public discourse around the values that guide capital decision-making at the Port of San Francisco.

The appeal of the San Francisco waterfront to the public is broad and varied, and creates a thicket of competing demands that sometimes are in conflict. In response to a 1990 voter-approved initiative (Proposition H), the Port Commission adopted the Waterfront Land Use Plan in 1997 – the Port Commission's principle planning document – which provides a framework to reconcile competing waterfront interests including public trust, maritime, public access, historic preservation, urban design, environmental, economic, and community values.

Because the Waterfront Land Use Plan is reviewed only every five years, the annual update of the Capital Plan has grown to reflect more frequent changes to the policy landscape. The Capital Plan, like the Port's two-year operating and capital budgets, is subject to cost estimate revisions, changes in City reporting conventions, and new capital needs that are often defined by changes in uses of Port property. While this year's Capital Plan reflects the Port's priorities for capital spending, each iteration reflects changes in both estimated need and available funding. The Capital Plan is also a repository for the changing financial tools and policy approaches Port staff is pursuing to revitalize the waterfront. Eventually, Port staff will need to reflect these new tools and their public policy implications in future updates to the Port's Waterfront Land Use Plan.

III. STRATEGIC OUTLOOK AND CONTINUING CHALLENGES

This year's plan reflects improvement in the Port's ability to address its capital needs over the next ten years. While the overall need is still substantial, some of the strategies the Port has put in place are beginning to yield results. A review of highlights from 2013 illustrates the Port's progress: the Exploratorium opened at Pier 15; the 34th America's Cup regattas were held on the San Francisco Bay; the Port completed major waterfront parks and shoreline improvements in Fisherman's Wharf, South Beach, Mission Bay, and Bayview Hunters Point; and Turner Construction began construction of the James R. Herman Cruise Terminal and Northeast Wharf Plaza at Pier 27. These and other accomplishments were all a part of the celebration of the Port's 150th anniversary.

The Port's facilities are beautiful and iconic, but aging. The Port has historically relied on private investment and long-term master leasing to provide resources for new construction and major rehabilitation of its facilities. The Port's Waterfront Land Use Plan explicitly acknowledges this strategy by establishing the process by which the Port selects and partners with private developers. These public-private partnerships pursue mixed use development in designated areas of the waterfront, primarily using private equity and historic tax credits (where applicable). As indicated in prior capital plans, the Port staff has found this approach, on its own, is insufficient, and that additional tools are necessary for the Port to make real progress in its transition from its industrial past to a modern Port and City waterfront.

Increasingly, the Port relies on coordination with other public agencies at the federal, state, and local levels to fund major waterfront improvements. In 2013, the Capital Planning Committee recommended, and the Board of Supervisors formally adopted, guidelines for the use of Infrastructure Financing District (IFD) tax increment proceeds in association with major Port development projects, formalizing City policy as to how this powerful funding tool can be used along the waterfront. The Board of Supervisors also unanimously endorsed term sheets for master plan developments at Seawall Lot 337 & Pier 48 and at the Pier 70 Waterfront Site, as well as a conceptual framework for funding pier improvements to support the Golden State Warriors' proposed Multi-Purpose Event Venue at Piers 30-32. The use of IFD tax increment proceeds both addresses the Port's existing backlog at these sites, and builds the accompanying enhancements that make these new developments possible. The size and complexity of these new development proposals garnered a significant level of public attention throughout much of 2013.

As the Port's efforts and accomplishments in 2013 demonstrate, the choices necessary to make future waterfront improvements are receiving greater public scrutiny and therefore require a broader public discussion. Layered onto the Port's complicated regulatory framework, this greater level of scrutiny promotes more public involvement but also increases the uncertainty associated with development proposals.

In the past three years, the Port has seen a dramatic uptick in capital investment, with approximately \$138 million expended for a variety of projects that have advanced the Port's maritime commerce mission, engaged people at the waterfront, and made substantial progress toward reducing the Port's capital backlog. Much of the Port's own investment over the past two

years was driven by the City's commitment to host the 34th America's Cup, which required targeted investments delivered by the Port and its contractors at Piers 30-32 and Piers 19, 19½, 23, 29 and 29½ to make these facilities safe for event participants and spectators. These included major reconstruction of the Pier 19 south apron, which now serves as dedicated open space, new power distribution in the Pier 23 shed, substantial substructure repair to Piers 27 and 29, ceiling truss repairs in the Pier 29 shed, and rehabilitation of structural elements at the marginal wharf underneath the Embarcadero at Piers 30-32. These investments have positioned the suite of northern waterfront facilities as desirable structures for reuse in a potential 35th America's Cup and has set them apart as the location of the Port's next likely reuse and rehabilitation.

These experiences have yielded important insights for future Port capital planning:

- As demonstrated by the James R. Herman Cruise Terminal and the rebuild of Pier 29 after a fire, the City has the expertise and capacity to direct major new investment within a very short timeframe;
- Port Maintenance staff are the Port's most cost-efficient and effective means of rebuilding most Port aprons and bringing Pier sheds into code compliance;
- The Port excels at designing and building public parks and managing historic rehabilitation improvement projects; and
- In order to deliver major waterfront improvements, the Port requires a comprehensive strategy to obtain entitlements and regulatory approvals, particularly for in-water construction.

Pursuant to direction from the Port Commission, this year's plan continues progress made in recent years to expand and stabilize capital funding from the Port's operating budget. Port staff has also continued to refine the capital project scoring process, with an inter-divisional focus on project readiness and financial outcomes.

Capital Project Investment Priorities

The projects and investments prioritized in this plan are guided by criteria the Port Commission believes respond to basic public safety and environmental needs, optimize resources that address the Port Commission's fiduciary responsibilities, and strike a balance among diverse public interests. Port staff used the following criteria to set investment priorities:

- Basic repairs and improvements to existing facilities that support continued leasing and revenue generation;
- Infrastructure improvements, including seawall, substructure, and utility repairs that respond to the shared objectives of protecting public safety, improving environmental quality, and responsible stewardship of historic resources along the waterfront;

- Improvements to retain and support San Francisco's diverse maritime and industrial tenants;
- Investments in waterfront parks and public open space that meet public trust needs and acknowledge the increasing role of Port lands in addressing City economic and quality-of-life objectives; and
- Strategic waterfront development that leverages private investment to support City policies and transform the waterfront, while reducing the Port's capital liability and enhancing land value.

Continuing Challenges and Opportunities

In addition to the investments needed to maintain facilities in a state-of-good-repair, there are other issues that may pose significant challenges in the future. The most immediate concerns, and implications for this and future capital plans, are described below.

The Seawall, Tidal Flooding and Sea Level Rise. The seawall and adjoining marginal wharf¹ that run along The Embarcadero from Fisherman's Wharf southwest to Mission Bay constitute the City's primary flood control system along the Bay waterfront. Collectively, these interconnected structures form the essential foundation of The Embarcadero Promenade. Built in segments from 1876 to 1929, the Seawall was and still is a major engineering achievement, established through the creation of a reinforced rock dyke, supported by concrete and wooden piles. The Port has maintained ongoing efforts to repair the seawall, which is a contributing historic resource in the Embarcadero National Register Historic District.

These structures continue to function as originally designed. However, recent and planned Port construction projects, including the Pier 43½ Bay Trail Promenade and Brannan Street Wharf projects, have uncovered aged and damaged elements of the Seawall, which supplement the growing repair demands associated with maintaining the marginal wharf. Increasing concern among state policymakers, including the California State Lands Commission, the San Francisco Bay Conservation and Development Commission (BCDC) and the Joint Policy Committee,² in addition to knowledge gained through flood risk and sea level rise studies the Port has conducted or has underway, elevate the urgency of developing a City strategy.

¹ The marginal wharf, or bulkhead wharf, is a piled structure built parallel to the waterfront along the top of the seawall with the purpose of extending a deck over the water to provide berthing for ships along the seawall and as a connection point for the finger piers, which in many cases were built later. The marginal wharf was built in twenty one sections and varies in width and construction, the newer sections being constructed of concrete. The marginal wharf also supports the bulkhead buildings along The Embarcadero.

² The Joint Policy Committee is a forum where the three major regional policy entities, which include BCDC, the Metropolitan Transportation Commission and the Association of Bay Area Governments, resolve competing policy objectives in order to provide unified policy guidance to Bay Area local governments. The Joint Policy Committee has been charged by the three agencies with further analysis and public policy guidance to local governments that are exposed to risks of sea level rise.

Port staff have begun the process of consulting with the City's Capital Planning Committee, the Mayor's Office and the Board of Supervisors regarding a long-range analysis of the condition of the seawall and marginal wharf, their capacity to withstand seismic events, how these structures and the Port's historic finger piers should be improved to withstand future flood risk from sea level rise, and what guidance the City should give to its major development partners in planning for sea level rise. In 2014, the Port is working with the Capital Planning Committee, BCDC and the Dutch Knowledge for Climate Program to examine sea level rise adaptation strategies in the Mission Creek area – one of the lowest-lying areas in the City.

As an initiating step at the federal level, in December of 2012, the Port made an official request of the United States Army Corps of Engineers for assistance in studying the condition of San Francisco's seawall. This request, made pursuant to the River and Harbor Act of 1960, as amended, Continuing Authorities Program Sections 103 and 205, will provide the basis for a construction improvement project addressing both structural stability and future sea level rise. The long-range improvements to the City's seawall and marginal wharf require considerable local matching, and will require a coordinated local, state and federal strategy that will need to be reflected in future updates of the Port's Capital Plan. The two-year capital budget allocates \$500,000 as the Port's contribution to this multi-agency study. Specifics of these strategies are discussed in the Plan of Finance chapter of this document under the United States Army Corps of Engineers header.

Port-BCDC Planning Studies. In March 2012, BCDC adopted amendments to its San Francisco Waterfront Special Area Plan (SAP) and approved a major permit for the construction of the James R. Herman Cruise Terminal and Northeast Wharf Plaza at Pier 27. The BCDC approval includes off-site public access requirements at Piers 19 and 23 in addition to Piers 27-29. In addition, the BCDC approvals require the Port and BCDC to conduct a public process to identify new public benefits that would satisfactorily replace those previously required in the SAP that were precluded by the Pier 27 project (the "Port-BCDC Planning Studies"). These public benefits include a location for a new "Open Water Basin," an expanse of open Bay water that would be preserved permanently for public viewing and appreciation of the Bay and public access from the land and water. The creation of Open Water Basins often involve demolition of piers and thus BCDC requires the Port to conduct a survey of its historic piers to assess their condition and costs of rehabilitation which will be considered in evaluating different Open Water Basin options.

The BCDC studies also contemplate future revisions to eliminate the Replacement Fill or "50 Percent Rule" Policy within Fisherman's Wharf, which currently complicates seismic and substructure repairs of Port and leased tenant facilities. This policy requires the Port to define a location in Fisherman's Wharf for the creation of a new public plaza and Open Water Basin.

In 2013, Port and BCDC staff formed a public working group consisting of a broad array of waterfront constituencies (Port-BCDC Working Group) and facilitated by staff from San Francisco Planning and Urban Research (SPUR). As of this writing, the joint BCDC-Port public planning effort has nearly concluded and the Port-BCDC Working Group is nearly ready to publish its findings and recommendations. Port and BCDC staff will present the Working Group's findings and recommendations to the Port Commission and BCDC in Spring of 2014.

The public benefits adopted by the Port Commission and BCDC and strategies to pay for these public benefits will be incorporated into future capital plan updates.

At-Risk Facilities. The Engineering Division regularly conducts inspections of all Port facilities and records and categorizes the condition of more than 350 structures, including piers, wharves, and buildings. Based on the structural condition of the facilities, the division makes recommendations for occupancy loads, load restrictions, barricades, and warning signs. The inspection findings are also used to document maintenance and repair needs.

In 2013, the Engineering Division updated the Port Commission on the status of facilities that are load-restricted (yellow-tagged) or fully restricted (red-tagged), based on the Facility Assessment Program.³ Yellow-tagging and red-tagging are engineering risk management strategies designed to protect the public, Port tenants and Port staff. Red-tagging involves closure of a facility for use and occupancy until safe occupancy can be restored.

The Engineering Division report listed 26 facilities that are currently yellow-tagged, but that have a functional life span of at least ten years and can continue to operate without making repairs (although load restrictions would still apply). The report identified an additional nine yellow-tagged facilities that are at risk of being red-tagged if repairs are not made in the near term. The red-tagging and closure of some of these facilities could have an impact on the Port's operating revenues, which in turn would impact the ability to fund other capital improvements. The port has added additional pile driver to increase the capacity of the Maintenance Division to address critical repairs. Plans for addressing the nine at-risk yellow-tagged facilities are as follows:

³ "Informational Presentation on the Port's Load Restricted (Yellow with Green Hatching-Tagged) and Fully Restricted (Red-Tagged) Facilities," February 7, 2013.

Facility	Remediation Plan
Wharf J9 Seawall in Fisherman's Wharf	Design work in progress; Maintenance Division pile driving crew will undertake repairs
Pier 43½ Seawall and Wharf between Franciscan Restaurant and Pier 45	Design work in progress; Maintenance Division pile driving crew will undertake repairs
Pier 35 Substructure including South Apron	Design work in progress; project being contracted out
Pier 29 Substructure including North Apron	Critical repairs were made in advance of the 34 th America's Cup; additional repairs will depend on future leasing and/or reuse plans
Pier ½ Marginal Wharf	Maintain current use (motorcycle parking), monitor; incorporate additional repairs into future ferry terminal expansion project
Agriculture Building East and South Aprons	Maintain current load restrictions; incorporate additional repairs into future ferry terminal expansion project
Pier 2 Superstructure and Substructure	Demolition of the building housing Sinbad's restaurant scheduled (pursuant to BCDC permit requirement); remaining substructure will be load-restricted
Pier 54 Substructure	None
Pier 92 Apron (portions red-tagged)	Maintenance Division pile driving crew will undertake repairs

The Engineering Division will continue to monitor these facilities and impose further restrictions as necessary until repairs are made. Consistent with the Port Commission's investment criteria, revenue-generating yellow-tagged facilities will continue to receive priority in future capital planning and allocation decisions.

The report listed 14 facilities as red-tagged. While there are no revenues generated by red-tagged assets, nevertheless they pose a risk of failing and triggering an emergency repair or demolition, and possible closure of an adjoining green or yellow-tagged facility. In some cases, red-tagged facilities may impair the Port's ability to utilize an adjacent green or yellow-tagged facility to greater potential by restricting access (especially fire egress). While some of the red-tagged facilities may never be repaired, others may still be brought back into productive use with sufficient capital investment. The Capital Plan reflects efforts to address three of the 14 red-tagged facilities:

Facility	Remediation Plan
Pier 31	Planned roof and structural repairs will allow shed to be occupied with funding identified in the FY2014-15 Capital Budget
Pier 38	A private development partner has been selected who will refurbish bulkhead and portion of adjoining shed; possible phase two refurbishment may be added to address remainder of shed and north and south aprons (including seismic strengthening of shed and substructure)
Pier 19 North Apron	Pursuant to a BCDC requirement, this apron will be rebuilt within five years with funding identified in the FY2014-15 Capital Budget

As part of the Facility Assessment Program, the Engineering Division will continue to monitor red-tagged facilities to preclude the possibility of a significant collapse without warning. Repairs to additional red-tagged facilities will be funded in future capital plans as revenue sources are identified.

Under Pier Utility Infrastructure. In response to a 2010 Notice-of-Violation issued by the Regional Water Quality Control Board as a result of a water leak at Pier 15, the Port instituted an under pier utility inspection and response program. The objectives of the program are to: (1) ensure that all under pier water and sewer utilities are inspected annually (consistent with the Port's permit requirements); (2) identify active leaks or highly vulnerable conditions that could lead to pipe failure; and (3) take corrective action to stop leaks and prevent failures which could result in an illegal discharge into the Bay.

The Port's Maintenance Division created a scorecard to record observations and assess conditions based on visual inspections. The division has documented a response protocol that will be followed to address the findings from inspections. Work orders will be generated to address detected leaks or critical conditions that pose an immediate threat to water and sewer infrastructure. Non-critical conditions will be documented and scheduled for follow-up inspections on an annual basis. The Maintenance Division initiated inspections of all piers in 2013. Funding in the amount of \$250,000 annually for the inspection and response program is included in the two-year Capital Budget, and anticipated to continue throughout the entire period of the Ten-Year Capital Plan. Larger repairs (such as completely replacing water and sewer lines) are beyond the scope of the inspection and response program. Instead, those needs will be incorporated into larger plans for pier improvements, such as the development projects described elsewhere in this report.

Southern Waterfront Revitalization. The Port continues land use planning and maritime market outreach to update plans for improving Piers 80 to 96, including the Piers 90-94 Backlands in the Southern Waterfront. Much of this area is underutilized and represents a major opportunity for increased maritime commerce and complementary industrial uses. This is the remaining primary area within City and Port jurisdiction that can support the unique operational and transportation access requirements of maritime commerce public trust uses.

A recent economic benefits study highlights the value of maintaining and expanding industrial uses on Port property. The report⁴ estimated that Port industrial and maritime tenants generated over \$785 million in annual economic activity in San Francisco, and employed roughly 2,400 workers (2011 data). The report also noted the policy benefits that accrue to the City from the Port's industrial and maritime property, including: retention of targeted production, distribution, and repair (PDR) jobs; a concentration of potential incubator space for fast-growing "creative industries" and innovative business ventures; and positive environmental outcomes from businesses operating in close proximity to their customers. Additionally, the report found that wages in industrial jobs such as those located on Port property were, on average, 24 percent higher than retail and personal services jobs in San Francisco. Operational benefits to the Port include diversification of the real estate portfolio (which helps manage risk) and uses that are consistent with the Public Trust Doctrine.

In 2011, the Federal Railroad Administration (FRA) awarded the Port a \$3 million grant for signaling and freight rail track upgrades to the Quint Street Lead, a one-mile stretch of track that connects the Caltrain main line to the Port of San Francisco Rail Yard on Cargo Way. The Port is focused on enhancing freight rail access to and from San Francisco to reduce freight truck trips on regional highways and city streets. Freight rail is also an important element of the City's emergency response plan to serve city evacuation and clean-up requirements in the aftermath of a disaster.

Given the size and location of the Port's Southern Waterfront assets (including unimproved land and underutilized piers), Port staff have investigated a number of potential uses for this area, including, for example, storage of Caltrain commuter rail cars, a private asphalt batching plant to supply City paving projects, construction laydown space, and loading of iron ore for export. There have been expressions of interest for these and other uses, but significant improvements to infrastructure and environmental restoration must be undertaken to make the area viable.

Any such improvements to Port Southern Waterfront property must undergo environmental review pursuant to requirements under the California Environmental Quality Act (CEQA) and Chapter 31 of the San Francisco Administrative Code, under the direction of the San Francisco Planning Department. Given the types of improvements contemplated for these Southern Waterfront properties, the Port anticipates an Environmental Impact Report (EIR) will be required. The Capital Budget includes \$500,000 of funding for the CEQA EIR process to meet this requirement and better position the Port to attract interest and additional investment in this important area.

Properties Used During the 34th America's Cup. With the conclusion of the 34th America's Cup, the Port has an opportunity to capitalize on infrastructure improvements made to, and develop higher and better uses for, the five Northern Waterfront facilities that served as event venues (Piers 19, 19½, 23, 29, and 29½). A well-crafted re-leasing strategy should provide for uses that complement the investments at the James R. Herman Cruise Terminal and neighboring Exploratorium and enhance Port revenues, while preserving some or all of the venues for the next America's Cup, should San Francisco once again host the event. Pursuant to the Host and

⁴ "Economic Benefits of Port Maritime and Industrial Uses," prepared by BAE Urban Economics, December 2013.

Venue Agreement, the City has submitted a letter to the America's Cup Event Authority proposing a more compact venue and compressed schedule for the 35th America's Cup. That proposal includes use of Piers 19½, 23, 27-29, 31 and 80.

If San Francisco hosts the 35th America's Cup, the main event would take place in the summer and fall of 2017. As with the 34th America's Cup, the 35th America's Cup could feature a series of preliminary regattas (e.g., the America's Cup World Series) that could require some subset of the facilities in the City's proposal for brief periods in 2015 and 2016. Given the uncertainty about the timing and location of events, the Port staff is developing a strategy to re-lease the Northern Waterfront facilities in the short-term for uses that require little or no capital improvements, so that the Port can return these assets to revenue-generating status as quickly as possible. Until a new host and venue agreement is reached for the 35th America's Cup, it is premature to commit to longer-term leases for these facilities. If a new host and venue agreement is approved, Port staff will be able to use the period from 2014-17 to conduct public outreach regarding proposed long-term uses of these facilities consistent with the process set forth in the Waterfront Land Use Plan and to entitle all or portions of these properties for major public and/or private capital investment.

The Growing Cost of Dredging. The Ports capital funding dedicated to routine dredging of active berths has long occupied a large portion of the overall capital budget, in some years reaching 50 percent. While efforts to improve funding available to the capital budget have met with some success, year-to-year increases in the cost of dredging remain substantial, largely offsetting gains to available Port capital funding. To address this problem, the Port staff has engaged in aggressive legislative action surrounding the formation of the Water Resources Development Act (WRDA) of 2014. Working with partners in the California Association of Port Authorities (CAPA), the Port staff crafted specific language that could allow for the Port of San Francisco to gain access to assistance from the United States Army Corps of Engineers (USACE) for berth dredging – a currently disallowed use of USACE resources. CAPA adopted this language, which has in turn been adopted by the WRDA bill introduced to and ultimately adopted by the United States Senate. While the version of WRDA passed by the United States House of Representatives does not contain berth dredging language as proposed by the Port staff, staff is hopeful that the desired language will survive the bill conferencing process and be passed into law. Should WRDA become law in the form desired by the Port, federal berth dredging assistance is still likely to become available approximately five years after implementation of the new law. In that respect, this legislative effort represents a strategic approach to this long-term problem. Conferencing of the House and Senate WRDA bills is likely to take place in the first half of 2014.

IV. CAPITAL NEED ESTIMATES

The FY2015-24 update of the Port's Ten-Year Capital Plan identifies a total need of just over \$1.59 billion (plus an additional \$464.3 million for conditional seismic work), primarily for deferred maintenance and subsystem renewal work required on Port facilities. For purposes of this plan, "need" is defined as projects required to maintain Port property in a state-of-good-repair for existing use over the next ten years. In this context, need excludes seismic upgrades (which may or may not be triggered by code requirements) and capital enhancements (such as building new infrastructure or parks along the waterfront). This distinction among different project types is a part of the architecture of the Port's capital modeling software, the Facilities Renewal and Reinvestment Model (FRRM), which is also used by the City to project all General Fund departments' capital needs.

This \$1.59 billion in need is essentially that same as the need identified in the Port's prior year (FY2014-23) capital plan (excluding conditional seismic work, which was \$449.6 million in the prior year). Each year the capital plan cost estimates are updated to reflect the following changes:

1. Completed projects are removed from the backlog (including projects undertaken by the Port and by tenants, where the tenant has responsibility for facility maintenance);
2. Project costs are updated to reflect more recent estimates, where available (e.g., as a result of a more extensive engineering analysis, design and/or third-party cost estimates);
3. A new year ten (FY2024) is rolled into the plan, and most of previous plan's year one (FY2014) costs are rolled into the backlog, if the project was not funded; and
4. Costs are escalated annually by the Controller's office based on various construction indexes, with a 4.5 percent escalation applied this year (the escalation factor is built into FRRM).

Table 1 summarizes adjustments to the Port's capital need estimates. Completed projects help to lower the need, while inflation and the addition of a new tenth year add to the projected need over the next ten years. Updated project cost estimates are based on more detailed engineering designs for development projects at Piers 30-32 and Pier 70.

Table 1 -- Port Capital Need Estimates

Changes From Prior Year Plan	State of Good Repair				
	Backlog (\$ millions)	Renewal (\$ millions)	One-Time (\$ millions)	Total (\$ millions)	Seismic (\$ millions)
<i>Prior Year (FY2014-23) Plan</i>	<i>\$586.9</i>	<i>\$523.0</i>	<i>\$480.3</i>	<i>\$1,590.2</i>	<i>\$449.6</i>
Completed repairs or project cost savings	(48.2)	(15.4)	(7.3)	(70.9)	(0.1)
Updated project cost estimates	51.6		(77.4)	(25.8)	(5.3)
Leased facility improvements (by tenants)		(30.6)		(30.6)	
New year ten (FY2024) project costs		46.5	18.9	65.4	
Escalation (4.5%)	23.1	20.5	18.6	62.2	20.1
FY2015-24 Plan	\$613.4	\$544.0	\$433.1	\$1,590.5	\$464.3

As Table 1 illustrates, the total need of \$1.59 billion for state-of-good-repair projects includes an estimated \$544.0 million for capital renewal, which represents the amount needed over the next 10 years to maintain facilities in a state-of-good-repair, as projected in the FRRM database. This plan shows an existing backlog for deferred maintenance of \$613.4 million, with another \$433.1 million for other one-time expenses.⁵ Investments for seismic repairs may or may not be required during the ten-year period, as described below; as such, the cost of seismic work is not included in the total need, but is shown separately. Appendix A provides a detailed breakdown of the need shown in Table 1, by Port facility.

Seismic Costs

Since the publication of the Port's first capital plan in 2006, the Port has maintained a policy decision to assume as a need all seismic repair even where that need exceeds code-driven requirements. In consideration of the fact that many of the Port's structures are 100 years old, the Port's original capital plan adopted a standard that all properties should be upgraded to modern seismic standards.

The City's Capital Planning Committee has provided direction to City departments to report need (defined as projects required to maintain property in a state of good repair) separately from seismic work.⁶ To conform to City convention, the FY2012-21 Capital Plan instituted a policy of

⁵ One-time needs are generally utilized in FRRM for non-cyclical needs, which are typically driven by changes in code requirements. The Port's capital modeling also includes a large number of the structures at Pier 70 in this category, as they are condemned and entirely in a state of deferred maintenance. For these structures, partial rehabilitation is not a viable option, and any rehabilitation will trigger substantial seismic work. Until they are rehabilitated and enter a capital maintenance cycle, the entire rehabilitation cost for these buildings are modeled as one-time costs.

⁶ The City's modeling of capital needs differs from the Port's in one very important respect, which is related to the fact that only the Port must account for pile supported pier structures. The City's calculation of "need" is entirely centered around renewal of building subsystems at the end of their usable life. As a result, there are no state-of-good-repair projects carried in the City Plan that could trigger a seismic upgrade to the structure in which they are contained. For that reason, the City classifies all seismic upgrade projects as capital enhancements. The Port's modeling of its capital assets is distinct from the City's in that the Port includes structural elements of buildings –

programing funding for seismic work only where a change of use or major rehabilitation is taking place, consistent with building code requirements. The FY2015-24 Capital Plan further distinguishes between the Port's aggregate capital need and capital need inclusive of contingent seismic costs by separating out seismic costs from state-of-good-repair. Over the next ten years, that seismic need totals \$456.1 million.⁷

The seismic work identified in this plan represents a kind of worst-case scenario in terms of potential impacts to capital expenditure planning. Port engineers believe that a number of the pier and wharf structures along the waterfront may be structurally repaired in a manner that does not trigger seismic work. Additionally, depending on the way in which a given pier was constructed (as nearly all were constructed approximately 100 years ago), costs associated with full seismic upgrade can be prohibitive, where the amortization period for the associated investment would exceed the useable life of the pier (in particular, the cost of mitigating the effects of sea level rise and overtopping of lower elevation piers complicate the economics of investment recovery on these facilities).

the piles and decking of piers. Repair to these pier structure elements will under some circumstances trigger seismic work, so the Port categorizes seismic projects as conditional or caveated need (as opposed to capital enhancement).

⁷ This number excludes Pier 70, where the costs for seismic work are rolled into "full rehabilitation" estimates, where seismic-only costs cannot be separated out (see footnote #5).

V. CAPITAL EXPENDITURES

This plan identifies funds that are projected to be available during the ten-year period from FY2015 through FY2024. The expenditure of those funds is broken into two categories: (1) capital projects that help maintain the Port's facilities in a state-of-good-repair, and (2) enhancement projects that add value to the Port property (some enhancement projects also include work to address seismic conditions). Table 2 provides a breakdown of capital expenditures and funding sources by fiscal year.

Table 2 -- Ten-Year Capital Expenditure Plan

Spending Plan	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020-24	Total	
State of Good Repair								Deferred Repair
Emergency Facility Repair	0.1	0.1	0.1	0.1	0.1	0.5	1.0	921.0
ADA	0.1	0.0	0.1	0.1	0.1	0.5	0.9	
Dredging	4.3	6.0	15.3	6.0	6.0	30.0	67.5	Deferred Seismic:
Emerging Needs	0.5						0.5	385.8
Repair / Reinvestment	58.5	67.9	39.4	134.7	46.8	254.3	599.6	
State of Good Repair Subtotal:	61.4	74.0	54.9	140.9	53.0	285.3	669.5	
Enhancements								
Pier 27 Cruise Terminal	19.5						19.5	
Parks and Open Space	11.4	10.5	12.8	0.8	0.0	32.4	67.9	
Facility Improvements	4.6	3.2	3.4	3.6	3.7	21.4	39.9	
Development Project Areas	0.0	0.0	5.3	127.6	62.5	47.8	243.2	
Ferry Terminal Expansion Project	10.4	9.4	10.2	9.7	38.6	22.4	100.7	
Enhancements Subtotal:	45.9	23.1	31.7	141.7	104.8	123.9	471.3	
Spending Total:	107.3	97.1	86.7	282.6	157.8	409.3	1,140.8	

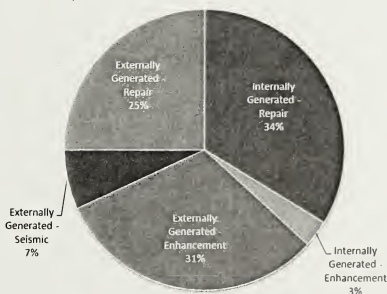
Funding Sources	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020-24	Total
Port Capital Budget	12.8	12.8	13.4	13.9	14.5	79.0	146.2
Port Revenue Bonds and COPs	29.4	1.2	0.0	0.0	0.0	0.0	30.6
General Obligation Park Bonds	12.3	11.4	13.9	0.8	0.0	35.0	73.4
Federal & State Grants	1.7	2.0	3.8	2.0	2.0	11.6	23.2
Federal Railway Administration	2.6						2.6
US Army Corps of Engineers	0.3	0.3	7.0			20.2	27.7
DTFT - Federal Transit Administration	0.2						0.2
DTFT - State Proposition 1B	4.7	5.4	6.1	10.3	38.6	22.4	87.5
DTFT - Local Sources (Prop K, RM2)	6.0	5.4	6.1	3.1			20.6
Port Tenant Improvements	6.3	28.0	5.2	8.5	28.0	166.5	242.4
Development Projects	31.1	30.7	31.3	244.0	74.7	74.6	486.4
Funding Total:	107.3	97.1	86.7	282.6	157.8	409.3	1,140.8

Additional Funding Sources Sought	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020-24	Total
US Army Corps of Engineers					7.0		7.0
US Army Corps WRDA 2020						40.0	40.0
City Match to WRDA 2020						20.0	20.0
US Department of Defense				3.0		3.0	6.0
US Department of Transportation			3.0	12.0			15.0
State of California -- Crane Cove Park		1.0					1.0
Transferable Development Rights						23.9	23.9
Additional Funding Sought Total:	0.0	1.0	3.0	15.0	7.0	86.9	112.9

As Table 2 illustrates, a total of \$1.14 billion is projected to be available during the ten-year period, of which the Port will apply \$669.5 million to state-of-good-repair needs and \$471.3 million to capital enhancement projects (including seismic work). At the end of the ten-year period, the Port will reduce its state-of-good-repair needs by 42 percent from \$1.59 billion to \$921.0 million and its conditional seismic needs from \$464.3 million to \$385.8 million.⁸ Fluctuations in year-to-year spending are driven by the timing of repair and renewal activities, the availability of grant funding for dredging the Central Basin, and development project schedules, as reflected in project term sheets and other planning documents.

This year's plan represents a significant improvement from prior year plans in the Port's ability to address state-of-good-repair needs over the next ten years. Whereas prior year plans have characterized all development project funding as enhancements, as those projects become better defined, a significant portion of the investments can now be attributed to addressing state-of-good-repair needs or seismic conditions of the facilities within the project development area. Similarly, a small portion of park improvements address state-of-good-repair, as well as some of the Port's revenue bond projects. Overall, the plan reflects a more balanced expenditure of funds, with nearly 59 percent going towards state-of-good-repair and 41 percent for enhancement projects (including seismic work). Further, most of the Port's internally generated funding sources are directed towards state-of-good-repair projects, whereas enhancement projects are more dependent on externally generated funds, as described in the next section and illustrated below:

Figure 1 – All Funds, Sources and Uses



⁸ A small amount of seismic conditions will be addressed by development projects (Piers 30-32, Pier 48 and Pier 70) and the Downtown Ferry Terminal project. For the most part, project plans assume that conditional seismic requirements are not triggered. The capital plan will continue to carry conditional seismic costs in project inventory unless and until there is a definitional change or investments are made that remove the cost.

While the plan projects nearly \$1.14 billion in capital investments over the next ten years, at the end of that period the Port will still face a backlog of \$921 million for needed improvements, and possibly another \$386 million in conditional seismic work. The Port must continue to explore ways to address these unfunded needs, including building partnerships to attract new sources of funds. Some pier sheds, such as Piers 26, 28, and 54, do not appear viable for rehabilitation with present day financing tools (although rehabilitation of the bulkhead structures appears feasible). Piers 26 and 28 are contributing resources to the Embarcadero Historic District listed on the National Register of Historic Places. If the Pier 26 and 28 sheds cannot be rehabilitated in their entirety (as prior predevelopment investigation at Pier 26 suggests), Port staff believe that there may be an approach to saving and rehabilitating the historic Piers 26 and 28 bulkhead buildings, with their distinctive Spanish-Mediterranean facades underneath the Bay Bridge. The Port will work with historic rehabilitation experts and the public to determine the future of these facilities.

The bottom of Table 2 lists additional funding sources that the Port is actively pursuing. These funding sources are too speculative to include in the current expenditure plan, but reflect the Port's ongoing strategy for outside funding sources. As the Port obtains additional federal, state or local legislative authorization or grant awards, these funding sources will be added to future capital plans. It is also likely that estimations of need will change as the Port investigates these funding opportunities. For example, it is only after the Port conducts preliminary engineering analysis of the seawall that staff will be able to accurately reflect costs to strengthen the seawall in the capital plan.

VI. PLAN OF FINANCE

The purpose of the plan of finance is to map out how the Port intends to utilize existing and potential financing mechanisms to maintain its assets in a state-of-good-repair and to enhance its portfolio through strategic investments. The plan presents a strategy that will fund \$1.14 billion in state-of-good-repair and enhancements over the ten-year period (FY2015-24). The first two years of this plan use the two-year capital budget as a starting point. The two-year capital budget will be considered for adoption separately by the Port Commission; subsequent years' capital spending will go before the Commission for approval as part of the biennial budget process.

In a departure from previous plans, in this year's plan, discussion of funding sources are broken into two categories: (1) internally-generated funds, and (2) externally-generated funds. The funding sources within each category are described more fully below, along with a discussion of the proposed uses of those funds. Table 2 summarizes the amounts projected from each of these sources over the next ten years.

A. Internally-Generated Funding Sources

Internally-generated funding sources include those sources that are primarily within the Port's control, utilizing existing assets, with a fairly high degree of confidence in their projected value. These sources include (1) Port capital funds, (2) Port revenue bonds, and (3) tenant obligations. Together, these sources are projected to generate \$419.3 million over the next ten years, of which the Port will apply \$384.0 million (or 92 percent) to state-of-good-repair projects (including dredging) and \$35.3 million (or 8 percent) to capital enhancement projects:

Internally-Generated Funding Sources	Repair (\$ millions)	Enhancement (\$ millions)	Total (\$ millions)
Port Capital Budget	\$130.5	\$15.7	\$146.2
Port Revenue Bonds & COPs	11.1	19.5	30.6
Port Tenant Improvements	242.4	0.0	242.4
Total	\$384.0	\$35.3	\$419.3

The sources and uses of internally-generated funds are illustrated below:

Figure 2 – Internal Funding Sources

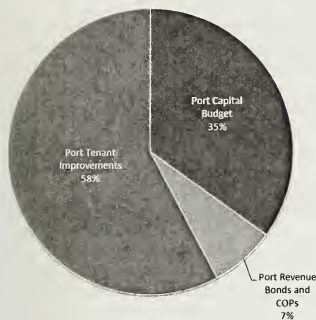
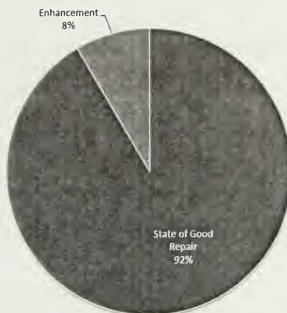


Figure 3 – Uses of Internal Funds



A.1 Port Capital Funds

In 2012, the Port Commission adopted a policy designating a minimum amount of operating revenues for capital projects. Pursuant to this policy, on an annual basis, a minimum of no less than 20 percent of Port operating revenues shall be set aside in the Port's operating budget to fund capital expenditures (increasing to 25 percent beginning in FY2019). This minimum funding requirement shall be met through (1) an annual appropriation for current capital expenditures ("Capital Budget") and (2) a designation of current estimated revenues for future capital expenditures, consistent with the Ten-Year Capital Plan. The policy is intended to (1) ensure that the Port has stable and growing operating resources dedicated to capital expenditures, (2) constrain the operating budget to achieve the funding requirement goal of operating revenues for capital, (3) require staff and Port Commission trade-off decisions between operating growth and capital needs, and (4) reduce the credit risk associated with unfunded capital obligations.

The policy is an attempt to reverse the Port's historical trend of underinvestment in maintaining its assets in a state-of-good-repair. Based on certain analyses, the Port should reinvest in its pier substructures a minimum amount of 0.75 percent of the value of those substructures each year.⁹ According to this formula, the Port should spend \$22.2 million annually in substructure repairs alone. Over the last ten years (FY2004 through FY2013), the average annual appropriation for the Capital Budget has been \$10.7 million.¹⁰ The size of the Port's annual capital budgets

⁹ The level of need is calculated based on the cyclical replacement of portions of pier substructures, based on construction type and exposure to tidal action. For example, Port engineers estimate that the Port should rehabilitate 15 percent of the Port's pre-1920s era concrete piers every 20 years.

combined with the deferred backlog has meant that the capital budgets have primarily funded dredging, deferred maintenance and emergency needs, and have not addressed renewal needs adequately.

Port capital funds are generally allocated to the following program areas: (1) emergency facility repair (a set-aside of funds for unforeseen situations, available for the most pressing capital needs in subsequent years if the programmed year remains emergency-free); (2) renovations to make facilities compliant with the Americans with Disabilities Act; (3) dredging of the bay floor along the waterfront, which maintains the depth of berths at the Port's piers so that they remain suitable for water traffic; (4) emerging needs, where planning and design of projects are funded in order to position them for non-Port sources of construction funds; (5) repair and reinvestment to maintain facilities for current use; and (6) capital enhancements, where new assets are being constructed or where development of a facility includes rehabilitation far beyond return to current use. The process and criteria used to select projects for the Capital Budget are described in Appendix B.

The first two years of the Capital Plan are based on the two-year Capital Budget, which is adopted by the Port Commission on a biennial basis. For FY2015 and FY2016, this plan programs capital funding at \$12.8 million annually.¹¹ The next three years of the plan (FY2017-FY2019) are based on forecasts included in the Port's five-year financial plan, and reflect a modest increase in capital funding each year. The capital plan assumes an average available capital budget of \$15.5 million per year for the remaining five years of the plan (FY2020-2024). Overall, capital funding from the Port's operating budget reflects a notable improvement from the average annual appropriation levels of past plans.

A.2 Port Revenue Bonds

The Port finances its larger scale capital projects, addressing significant deferred maintenance and enhancing property, primarily through the issuance of debt. The Port's revenue bonds are secured with operating revenue, and present an opportunity to accelerate cash flow for much-needed capital investments. Bond proceeds are used to fund new projects that offer a significant return on investment, as well as repair of critical infrastructure to maintain high-yield assets to sustain the Port's operating revenues and protect future bonding capacity.

In the last few years, the Port has cautiously reentered the capital markets, with a revenue bond sale in 2010 (\$36.65 million in net proceeds) and issuance of Certificates of Participation (COPs) in 2013 (\$38.46 million in net proceeds). The majority of the proceeds from these two issuances have been expended or committed, primarily for Phase I of the James R. Herman Cruise

¹⁰ The range of funds available for annual reinvestment during this ten-year period is from a low of \$6.4 million in FY2005 to a high of \$15.4 million in FY2012; however the amounts prior to adoption of the Capital Policy do not reflect a natural growth over the period but instead show a wide variation in the allocation.

¹¹ The Capital Budget includes a designation for future capital expenditures of \$5.2 million in FY2015 and \$9.3 million in FY2016 to meet the minimum funding requirements specified in the Capital Policy, which are calculated to be \$16.7 million in FY2015 and \$17.7 million in FY2016. In both years, the combined annual appropriation and capital designation exceed the 20 percent minimum funding requirement.

Terminal, rehabilitation of Pier 33, improvements to Piers 35 and 50, and for preparing venues for the 34th America's Cup regattas. The remaining proceeds in the amount of \$10.0 million will be spent in FY2015 and FY2016.

The Port is now preparing to issue a new series of Port revenue bonds in 2014. Funds will be used largely for Phase 2 of the Cruise Terminal, but also for projects within the northern waterfront historic district. The Port will spend an estimated \$20.6 million in bond proceeds on the Cruise Terminal and other northern waterfront pier improvements in the first two years of the capital plan.

Subsequent to issuance of the 2014 bonds, Port staff will revisit its remaining debt capacity, based on projections of operating revenues and expenditures over the next five years. When considering additional bond sales, it will be important to factor in the impact of increased debt service on the amount of funds available to pay for repair and replacement projects from operating revenues. Port staff will assess the trade-offs between pay-as-you-go and accelerated funding via bonds. This plan reserves any remaining bonding capacity for projects with early returns on investments that generate revenues in excess of the amount required to service debt costs. This approach is necessary for expanding sources for the repair and replacement capital budget, as well as for expanding the Port's bonding capacity in order to make future investments in maritime commerce projects. Since no such projects are ready for financing, this plan assumes no additional Port bond revenues over the next ten years. Port staff may revisit this assumption if the SWL 337 project (discussed in B.3 below) begins generating net revenues to fund improvements to the Port's historic finger piers (as anticipated by SB 815) in the next ten years.

A.3 Tenant Obligations

The Port has a number of properties that are under long-term leases (for example, a master tenant agreement of up to 66 years). Often, a condition of those leases is that the tenant assumes responsibility for maintenance and capital improvements to the property, including both the superstructure and substructure. The Port's asset database (FRRM) identifies the facilities where responsibility is assigned to Port tenants, and for those facilities, this plan assumes that those tenants maintain the facility in a state-of-good-repair, according to the capital replacement schedule.¹² Over the next ten years, FRRM projects tenant obligations to be \$242.4 million.

B. Externally-Generated Funding Sources

For purposes of this year's plan, externally-generated funding sources represent those sources that require some form of partnership with an external party in order to be realized. Those partners may include developers, federal or state agencies, or other departments within the City and County of San Francisco. While partnerships often require considerably more effort to build and maintain, and are not entirely within Port's control, ultimately they have far greater potential

¹² The Port characterizes repairs for facilities where tenants have ten years or more left on their lease agreement as sourced to tenants, recognizing that short-term tenants are unlikely to make major capital investments with little time left to amortize those improvements.

in the long-term than traditional internally-generated sources. The plan of finance relies significantly on these sources to fund both state-of-good-repair and enhancement projects over its ten-year period. These sources include (1) development projects, (2) general obligation bonds, (3) grants, and (4) transferable development rights.

Together, this plan programs these sources as generating \$721.5 million, of which the Port will apply \$285.6 million (or 40 percent) to state-of-good-repair projects and \$436.0 million (or 60 percent) to enhancement projects.¹³

Externally-Generated Funding Sources	Repair (\$ millions)	Enhancement (\$ millions)	Total (\$ millions)
General Obligation Park Bonds	\$5.5	\$67.9	\$73.4
Federal & State Grants	1.6	21.6	23.2
Federal Railway Administration	0.0	2.6	2.6
US Army Corps of Engineers	27.7	0.0	27.7
Federal Transit Administration	7.6	100.7	108.3
Development Projects	243.2	243.2	486.4
Total	\$285.6	\$436.0	\$721.5

The sources and uses of externally-generated funds are illustrated below:

Figure 4 – External Funding Sources

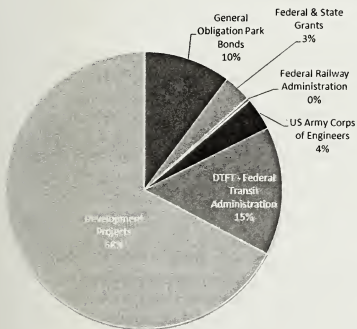
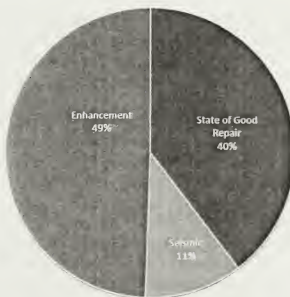


Figure 5 – Uses of External Funds



¹³ Enhancement projects include an estimated \$78.5 million in seismic work at Piers 30-32, Pier 48, Pier 70, and the Downtown Ferry Terminal expansion.

B.1 Legislative Program

The Port has adopted policies and pursued options to attract partners and external funding through an aggressive legislative program. The following is a summary of the results of recent legislative efforts:

- In 2005, the California Legislature adopted SB 1085 (Senator Carole Migden), permitting the Board of Supervisors to form Infrastructure Financing Districts (IFD) on Port property that allow the capture of growth in property (or possessory interest) tax increment to fund public improvements along the waterfront.
- In 2007, the California Legislature adopted SB 815 (Senator Carole Migden), authorizing the Port to lease certain seawall lots south of Market Street and north of Pier 50 for non-trust (i.e., commercial and residential) purposes, with net proceeds to fund rehabilitation of Port historic resources and parks required by the San Francisco Bay Conservation and Development Commission ("BCDC"). The largest of these is Seawall Lot 337 in Mission Bay, the site of the Port's current negotiations with Seawall Lot 337 Associates, LLC, to develop a new neighborhood south of AT&T Park.
- In 2010, the California Legislature adopted AB 1199 (Assemblymember Tom Ammiano), permitting the Port to establish a Pier 70 IFD that may issue debt repayable with both the local share of possessory interest tax and the state's share of possessory interest tax (permitted by AB 1199).
- In 2011, the California Legislature adopted AB 664 (Assemblymember Tom Ammiano), with technical amendments following in 2012 (AB 2259), authorizing the Port to capture up to \$1 million annually in state tax revenue to fund the James R. Herman Cruise Terminal and related improvements, if the City demonstrates that the state will earn revenue in excess of this amount from the 34th America's Cup. This legislation applies to the following locations: SWL 330, and Piers 19, 23 and 29. The California Infrastructure Financing Bank (I-Bank) must first find that the net present value of tax benefits of the 34th America's Cup to the State of California exceeds the net present value of tax increment it would forego from these sites.
- In 2011, the California Legislature adopted AB 418 (Assemblymember Tom Ammiano) authorizing the California State Lands Commission to approve a trust swap with Pier 70, allowing the public trust designation of land within the site to be rationalized to allow for development. The Port is negotiating with Forest City California, Inc. to develop the 25 acre Waterfront Site at Pier 70. The Port is negotiating separately to develop the Port's historic buildings along 20th Street with Orton Development, Inc.
- In 2008, and again in 2012, San Francisco voters approved investments through issuance of general obligation bonds totaling \$68 million in the development of a network of waterfront parks from Fisherman's Wharf to Heron's Head Park adjacent to Pier 96.

- In 2013, the California Legislature adopted AB 1276 (Assemblymember Phil Ting) to guide the development of Piers 30-32 as a multi-purpose event facility for the Golden State Warriors home basketball games and to address matters relating to the public trust for commerce, navigation and fisheries. AB 1276 authorizes the California State Lands Commission to find that the final proposed project on Piers 30-32 is (1) consistent with the requirements of AB 1273, and (2) is in the best interests of the state, and authorizes BCDC to impose a package of (off-site) public benefits as a condition of approval.
- In 2013, working with partners in the California Association of Port Authorities (CAPA), the Port staff crafted specific language that could allow for the Port of San Francisco to gain access to assistance from the United States Army Corps of Engineers (USACE) for berth dredging – a currently disallowed use of USACE resources. CAPA adopted this language, which has in turn been adopted by the WRDA bill introduced to and ultimately adopted by the United States Senate. While the version of WRDA passed by the United States House of Representatives does not contain berth dredging language proposed by the Port staff, the staff is hopeful that the desired language will survive the bill conferencing process and be passed into law. Conferencing of the House and Senate WRDA bills is likely to take place in the first half of 2014.

B.2 Infrastructure Financing Districts

Building on the authority granted by state legislation and working with the San Francisco Board of Supervisors, the Port is now in the process of forming a Port Infrastructure Financing District.¹⁴ Government Code Sections 53395 et seq. (“IFD Law”) allow public agencies to finance public infrastructure improvements by capturing and bonding against property tax increment generated in the IFD after it is established. To do so, the public agency must follow a multi-step process that includes approval of a financing and infrastructure plan by the Board of Supervisors.

IFD Law was crafted to allow IFDs to function much like redevelopment project areas. In this regard, IFDs do not increase tax rates; rather, they rely on increases in the property tax base within the IFD. Like redevelopment, the fundamental justification for tax increment financing is the notion that but for public and private investment made possible by tax increment financing, development and the resulting property tax increases would not occur. In contrast to redevelopment law, the IFD Law does not require the public agency to make a finding of blight or require a set-aside of a portion of the tax increment for affordable housing (except when the projects to be financed through the IFD displace housing).

¹⁴ IFDs function in a manner similar to redevelopment, by allowing local jurisdictions to establish a geographical district within which all growth in property and possessory interest tax above an established base year (typically referred to as “tax increment”) can be pledged to service debt on bonds issued to fund capital improvements of communitywide significance. Note that although this mechanism uses property tax increment, it does not rely on a redevelopment agency structure and is not impacted by the recent elimination of redevelopment agencies in California.

By Resolution 110-12, the Board of Supervisors adopted a Resolution of Intention to Establish an Infrastructure Financing District for the City and County of San Francisco (Infrastructure Financing District No. 2, the “District”) for multiple sites on Port property, including Seawall Lot (SWL) 330, Piers 30-32, Pier 26, Pier 28, Pier 48, and Pier 70. Resolution 227-12 amended the District to include SWL 351 as a project area.

Port staff will likely recommend removal of Piers 26 and 28 from the District, because these piers are no longer likely development sites. Concurrent with recommending a Disposition and Development Agreement for the proposed development of SWL 337 and Pier 48 in conjunction with the Port’s development partner, Port staff will recommend that the Board of Supervisors amend Resolution 227-12 to include SWL 337. Concurrent with recommending a Disposition and Development Agreement for the Pier 70 Waterfront Site, it is likely that Port staff will also recommend adding 3 acres of adjacent private property owned by Pacific Gas and Electric, Inc. to the Pier 70 project area.

As Port staff advances individual development projects, there will be an associated Infrastructure Finance Plan for the Board’s consideration as the next step in forming the District. The Finance Plan will include detailed description of the development plan for each project area and specify the type of projects eligible for IFD monies and the estimated value of the tax increment over the life of the projects. The development projects currently being negotiated are summarized below.¹⁵

In 2013, the Board of Supervisors adopted Resolution 123-13, adopting Guidelines for the Establishment and Use of an Infrastructure Financing District with Project Areas on Land Under the Jurisdiction of the San Francisco Port Commission (Port IFD Guidelines). Consistent with IFD law applicable to the proposed Port IFD, proposed uses of the Port IFD proceeds can include:

- Repairs and upgrades to piers, docks and wharves and the Port’s seawall;
- Installation of piles, both to support piers and to support buildings where soil is subject to liquefaction;
- Parks and shoreline improvements, where the Port has been unable to secure General Obligation bond funding to fund new parks;
- Utility infrastructure, including utility requirements to comply with standards imposed by the Regional Water Quality Control Board and/or the Bay Area Air Quality Management District;
- Streets and sidewalks;
- Seismic upgrades and improvements to the City’s seawall and other measures to address sea level rise;
- Environmental remediation;

¹⁵ Each of the development projects is subject to ongoing real estate negotiations which include the allocation of IFD to infrastructure costs. When City staff publishes each project term sheet for public review and consideration by the Port Commission and the Board of Supervisors, City staff will publish more detailed cost information related to the use of IFD.

- Historic rehabilitation; and
- Improvements to Port maritime facilities.

The Port IFD Guidelines establish minimum criteria regarding the formation of IFD project areas on Port property. These guidelines can be found in Appendix C. IFD Law is the subject of frequent legislative action in wake of California's repeal of community redevelopment law. This year, Governor Jerry Brown has signaled his openness to amendments to IFD Law that would permit its use for affordable housing in addition to infrastructure and facilities of communitywide significance. If the Legislature enacts such a change (or similar changes), the Port and the Board of Supervisors may need to consider further amendments to the Port IFD Guidelines.

B.3 Development Projects

Since the 1970s, the Port's primary tool for redeveloping property has been public-private partnerships. In exchange for long-term leases (50-66 years) and other financial consideration (including rent credits, land value and IFD tax increment, for example), private developers assume much of the responsibility for rehabilitating and improving Port property for designated uses. This includes upgrades to meet current seismic building code requirements, repairs to adjoining segments of the seawall, and climate change adaptation improvements. The Port typically limits its contribution to development projects to existing facility improvements, along with Port staff, attorneys, and other consultants needed to coordinate and assist the developer. By engaging a development partner and allowing them to make a reasonable return on their investment, the Port is able to generate substantially more resources to address the Port's backlog of capital investment needs.

As noted in Table 2, development projects are forecast to be the largest financial source to address both state-of-good-repair (\$243.2 million) and enhancement (\$243.2 million) in the plan. The vast majority of enhancements that are contemplated are investments in new, publicly-owned parks and infrastructure, largely to support new neighborhoods planned at SWL 337 and Pier 70. A portion of expenditures on enhancements will also address seismic conditions.

The Port is engaged in an exclusive negotiations process with a private investor or partner in several project areas. The developers will make significant investments to rehabilitate and enhance these properties; however, the ten-year plan reflects only that portion of the investment necessary to repair or replace facilities to continue operating them for their current use, or for enhancements that benefit the general public. Funding for these projects may come from a number of both private and public sources; however, for purposes of this plan, all development project generated funds are shown on a single line item in Table 2.

Three of these projects (SWL 337, Pier 70 Waterfront Site, and Piers 30-32 and SWL 330) involve proposed height increases that are likely to be subject to significant local debate. SWL 337 and the Pier 70 Waterfront Site are just starting the process of environmental review and urban design planning. The Piers 30-32 and SWL 330 project is further along in this process. The teams working on these projects plan to entitle them within the current real estate market cycle. If any of the projects are not entitled within expected timeframes, Port staff will make corresponding adjustments to future capital plans.

Pier 70. The largest project is the rehabilitation and redevelopment of the heavily blighted Pier 70 area, with an estimated need of approximately \$525 million in capital improvements and with a total preliminary estimated project development cost of \$1.9 billion. The total cost of the project is expected to be paid with a combination of private debt, developer equity, IFD bond proceeds, land dispositions, and City general obligation bond proceeds. Pier 70 is a 65-acre brownfield site on the City's central waterfront bounded by Mariposa, 22nd and Illinois streets. The Port has nominated all of Pier 70 to be listed on the National Register of Historic Places and as an Historic District. Pending state and federal approval, the District will be listed in the Spring of 2014. In 2010, the Port Commission endorsed a Pier 70 Preferred Master Plan, a result of a lengthy public process, to define a strategy to rehabilitate important historic buildings, environmentally remediate the site, improve street and utility infrastructure and public open spaces near the water's edge, and provide for over 3 million square feet of economic development.

Pier 70 redevelopment will be accomplished with a combination of private and public funds, including IFD and CFD bond proceeds, as well as City general obligation bond funds for public parks and amenities. In addition, Proposition D – Pier 70 Land Use and Financial Plan, approved by the City's voters at the November 2008 election, provides the Port with new financing tools to restore Pier 70. Proposition D permits the Board of Supervisors to dedicate City general fund revenues in an amount up to 75% of projected payroll and transient occupancy tax revenues generated by Pier 70 development for a period of up to 20 years to finance waterfront parks, environmental remediation, historic rehabilitation and other public improvements.

The redevelopment of Pier 70 has been divided into five distinct subareas: (1) the subarea lease to BAE Ship Repairs; (2) the 28-acre subarea called the Waterfront Site which is under an exclusive negotiation agreement with Forest City Development California, Inc. ("Forest City") for up to four million square feet of residential and commercial development; (3) the 6-acre Historic Core which is under an exclusive negotiation agreement with Orton Development Inc. ("ODI") for rehabilitation of 300,000 square feet of historic buildings for office and industrial uses; (4) the 8-acre subarea of public open spaces called the Crane Cove Park to be funded and constructed by the Port; and (5) the urban infill development opportunity sites along the eastern side of Illinois Street boundary of Pier 70 to be developed for residential and commercial developments. Detailed information about each of the Pier 70 subareas follows.

BAE Ship Repair: The BAE Ship Repair leasehold is 15.1 acres of leasable land and 17.4 acres of leasable water on the northeastern edge of Piers 68 and 70. It includes 19 buildings, six functional cranes, and two floating drydocks. It is under a lease to BAE generating approximately \$1.8 million dollars in annual revenues to the Port. A capital improvement plan is being developed for further improvements to infrastructure that will sustain the Ship Repair facility for the next 25 years. These improvements will be reflected in future capital plans upon completion of negotiations with BAE.

Forest City Development Waterfront Site: This site consists of approximately 28 acres of land area and four historic buildings in dilapidated states to be rehabilitated for new uses, all on

the south eastern edge of Pier 70. The Port, with the assistance of the Office of Economic and Workforce Development (OEWD), is in exclusive negotiations with Forest City over a proposed redevelopment of the site for the construction of approximately 950 residential units, 2.6 million square feet of office, retail and other commercial uses, adaptive reuse rehabilitation of a minimum of four historic buildings, seven acres of recreational and passive open space, and three district parking structures. A term sheet endorsed by the Board of Supervisors in June 2013 is guiding further refinement of the concept toward the ideal mix of residential and commercial uses to develop, in how many phases, and at what density. The final concept developed is subject to review and approval under the California Environmental Quality Act.

Forest City is working with the Port and OEWD on the infrastructure system required to support the proposed concept or development. This infrastructure will update and/or provide new wet and dry utilities, streets and walkways, public transit enhancements, etc. Capital funding is planned to be provided through developer equity which will be repaid with proceeds from IFD financing and Port leases and land dispositions to the extent feasible. The Port is currently reviewing the feasibility of substituting portions of developer equity with certain public bond proceeds. Due to the development timeline for the Pier 70 Waterfront Site, the Capital Plan assumes that only a portion of Pier 70 expenditures will occur by 2024; this plan reflects spending of \$161.9 million (\$51.3 million for state-of-good-repair and \$110.6 million for enhancements and seismic-related work).

Orton Development Historic Core with 20th Street Historic Buildings: The Port has an exclusive negotiation agreement with Orton Development to lease, rehabilitate and operate six historic buildings included in the Pier 70 Master Plan area. In October 2012, the Port Commission endorsed the term sheet establishing the conceptual agreement by the parties of the terms of a transaction. Subsequently in December 2012, the Board of Supervisors also endorsed the term sheet and conceptual project plans. Since then ODI and Port staff have been working to realize the project approved in concept.

These buildings are in a state of dilapidation and require \$74 million of investment to return to a state-of-good-repair. ODI will secure the required debt and equity, anticipated to include a loan from the City's Seismic Safety loan program of approximately \$20 million as well as bank debt. The Port will contribute \$1.75 million (including a \$250,000 state grant) for structural upgrades. The transaction terms defer any rent to the Port for the sooner of 20 years or the repayment of ODI's equity investment and return on investment.

The Project includes 267,000 square feet of existing buildings. The proposed project would add up to approximately 70,000 square feet of new space, primarily in mezzanines. Once rehabilitated, these historic office and industrial buildings would be used for a range of businesses, including light industrial, technology, life science, office, artisan/artist studios and showrooms, and restaurant uses. The proposed project would also create an indoor lobby/atrium in Building 113, and an outdoor courtyard/venue, both of which would be made accessible to the public.

The Port will seek lease approval for the ODI project in the spring of 2014 and construction is expected to begin in the summer. With the approvals for the ODI project, the Port will propose

the first sub-district of the overall IFD with a Financing Plan to support the improvements needed for the ODI project.

Illinois Street Infill Development Opportunity Sites: There are two parcels on the east side of Illinois Street at Pier 70 – one located behind Building 101 (the Bethlehem Steel Office Building) and the other at Illinois and 20th Street – that are designated for infill developments. The sites provide the Port with the opportunity to jump-start Pier 70 activation for its economic renaissance and to use some of the proceeds from the parcels' disposition to meet upfront funding needs to entitle the Waterfront Site. A development partner has not been selected for these areas.

Seawall Lot 337 & Pier 48. This 16-acre site is located on the south side of China Basin Channel near AT&T Park, bounded by Third, Terry Francois and Mission Rock Streets, adjacent to the Mission Bay development, and will be developed with a major waterfront public open space, a new neighborhood park and approximately 3.6 million square feet of urban, transit-oriented mixed uses including retail, light manufacturing, commercial and residential. The Port's development partner, Seawall Lot 337 Associates, LLC was selected through a competitive process and, working with Port staff, has successfully won endorsement for a project term sheet from the Port Commission and Board of Supervisors. The project team is pursuing project entitlements including a thorough environmental review in accordance with the California Environmental Quality Act (CEQA). The Port anticipates that this project will generate new lease revenues and result in higher property values. The project schedule anticipates completing the CEQA process and gaining project approvals in early 2015 with lease payments commencing on sub parcels beginning in 2016. The total cost of the project is currently estimated at \$1.8 billion and is expected to be financed through a combination of private debt, developer equity and Community Facilities District (CFD) Bond proceeds and IFD tax increment. The Capital Plan reflects spending of \$78.9 million: \$14.3 million for state-of-good-repair improvements at Pier 48, and \$64.6 million for enhancements, including new streets, new utilities, new and expanded parks, and non-Pier 48 seawall repairs.

Seawall Lot 351. Currently a surface parking lot, this site is located along the Ferry Building waterfront at The Embarcadero and Washington Street. It is to be merged with the adjacent tennis club property for a proposed \$345 million residential-commercial development currently under an exclusive negotiation agreement between the Port and San Francisco Waterfront Partners (SFWP), an affiliate of Pacific Waterfront Partners that developed Piers 1½, 3 and 5 and the Pier 24 Annex. The project is the subject of a recently passed legislative referendum revising the increase in building height granted the development. SFWP, therefore, is considering its options to reevaluate the proposed development, including project funding structure. The value of improvements will be reflected in a future capital plan when the redefined project has been approved.

Piers 30-32. The City and the Golden State Warriors are partnering on a proposal to develop and build a premiere sports and entertainment arena venue on the waterfront in San Francisco in time for the 2017-2018 NBA season. The proposed project facility is located at Piers 30-32 on San Francisco Bay, south of the Bay Bridge, between the Ferry Building and AT&T Park. The City, in partnership with the team, is proposing to repair and seismically upgrade 13 acres of

deteriorating piers and develop SWL 330, adjacent to Piers 30-32, to build a multi-purpose venue with private funds. The goal of the proposed project is to substantially improve open space for public access, while also providing enhanced amenities and maritime facilities for the San Francisco Bay, consistent with the objectives of AB 1273 (Assemblymember Phil Ting), as described above. The new facility would host the Bay Area's NBA basketball team, as well as provide a new venue for concerts, cultural events and conventions, and other prominent events that the City currently cannot accommodate with existing facilities. The cost of repairing and seismically upgrading Piers 30-32 for these uses is currently estimated at \$165 million (\$97 million for state-of-good-repair and \$68 million for seismic improvements). The City's contribution to project pier substructure costs is capped at \$120 million, with funding to come from project-generated IFD proceeds, rent credits against the fair market value rent of Piers 30-32 and the fair market land value of SWL 330.

Pier 38. On December 12, 2013, the Port Commission awarded the Pier 38 development opportunity to TMG Pier 38 Partners, LLC, a joint venture partnership consisting of TMG Partners and Premier Structures. This award is only for the bulkhead rehabilitation of Pier 38, representing approximately one-third of the entire 148,000 square foot pier. This project will repair the bulkhead building, including remedying minor structural deficiencies, replacing mechanical and electrical systems, provide egress, ADA and code and other regulatory requirements. The cost of this building improvement is estimated at \$6.9 million funded with developer equity. The goal of the project is to quickly re-tenant the bulkhead. Expected leasable uses include: approximately 20,000 square feet of office use that is expected to attract technology and creative tenants; approximately 6,800 square feet of restaurant use; and approximately 22,400 square feet of parking area. It is expected that the Port Commission will consider approval of the lease by summer 2014. Construction and tenant re-occupancy is anticipated to be completed by early 2016. At that point, the Port is projected to receive approximately \$150,000 in annual rent payments.

B.4 General Obligation Bonds

In the last five years, San Francisco voters have approved two general obligation bond measures to fund neighborhood parks. In 2008, voters approved Proposition A (the Clean and Safe Neighborhood Park General Obligation Bonds) for \$185 million, of which \$33.5 million was designated for certain waterfront parks on Port property. In 2012, voters approved another round of the same bonds through Proposition B for \$195 million, of which another \$35 million was slated for waterfront parks and open space. To date, the Port has substantially completed projects at Pier 43½, the Brannan Street Wharf in South Beach, Bayfront Park in the China Basin area, and the Heron's Head Park Entrance in the Southern Waterfront with proceeds from the two park bonds. The Port is planning to expend another \$73.4 million on park projects within the period of this ten-year plan. Projects eligible for funding from these two bond programs include, but are not limited to, the following:

Northeast Wharf Plaza: a new two-and-a-half-acre public open space adjacent to the James R. Herman Cruise Terminal and improvements to north tip of Piers 27-29. This new open space is required pursuant to the BCDC's Special Area Plan for the San Francisco Waterfront.

Fisherman's Wharf: public open space improvements in Fisherman's Wharf (subject to CEQA analysis and completion of planning studies in coordination with BCDC). A potential project candidate is the substructure of the historic Pier 43 Arch, a contributing resource to the Embarcadero Historic District listed on the National Register of Historic Places.

Blue-Greenway Parks: a series of open spaces and connections between them along the City's southeast waterfront, beginning at China Basin at Mission Creek and extending to the City and County line at Candlestick State Park. Many of the open spaces and connections along the Blue Greenway are located within the Port's jurisdiction, including Crane Cove and Warm Water Cove, as well as new open space along Islais Creek. As with other projects, allocation of funding among these parks will be subject to community input and approval from policy makers.

Crane Cove Park: set to be one of the most celebrated new parks in the City. It is uniquely located within an eligible National Register Historic District at Pier 70 and adjacent to the Port's large and active ship repair yard. The project will include preservation of the historic shipbuilding slip-way and two historic cranes. The completed park will include a variety of landscape and plaza areas, open Bay shoreline, and views of the dry dock, skyline and San Francisco Bay.

The Port will continue to partner with the City and the Department of Recreation and Parks in seeking approval of additional general obligation bonds to support park and open space improvements along the City's waterfront. The City's ten-year capital plan includes an assumption of a successful bond measure within the next ten years. The Port would receive an additional \$35 million for eligible projects, which is included in the FY2020-2024 period of the Capital Plan.

B.5 Grants, Direct Appropriations and Other Funding Sources

As part of the plan of finance for the Port's capital requirements, Port staff is working with local, state, and federal governments and organizations to identify and secure grants and other contributions. Table 2 above lists several sources of funding that will support both state-of-good-repair and enhancement projects.

- ***U.S. Department of Transportation, Federal Railway Administration*** – In 2012 the Port was awarded \$3 million to improve reliability and efficiency of rail movement through track and switching upgrades to the Port's primary rail spur, the Quint Street Lead. The award is strategically important for the Port, as it supports the larger goal of (and is a necessary component to) creating a robust export terminal at Pier 96 serviced by six-axle locomotives. The project assumes iron ore as the export commodity, with appropriate weight capacity and resiliency built in to associated infrastructure improvements. The funding will be expended over two years: \$400,000 will be spent on engineering and design work in FY2014; the remaining \$2.6 million is programmed in FY2015.

- USACE, Continuing Authorities Program Section 107, Central Basin Dredging*** – The Central Basin is the approach to the Pier 70 Shipyard’s primary drydock facility. Dredging of this area is critical to operations of the shipyard. While the drydock itself is the largest privately operated repair facility of its kind on the west coast of the Americas, the increasingly restrictive siltation in the Central Basin is limiting the number and type of vessels that can access it. In September 2009, the Port requested dredging assistance from the Army Corps under Continuing Authorities Program Section 107. Through this program the Army Corps would provide \$7.0 million in federal funding, which is 75 percent of the \$9.3 million estimated cost of the dredge project. The Port may split the \$2.3 million required match with its shipyard tenant, BAE Systems. If successful, this partnership could lead to ongoing federal involvement with dredging of this water basin, which would allow the Port to include additional federal funding to the sources utilized by this plan.
- USACE, Water Resources Development Act of 2007 (WRDA07)*** – In 2006, Port staff worked with Mayor Gavin Newsom’s Office to successfully petition the Office of House of Representatives Speaker Nancy Pelosi to carry a new bill for federal authorization of a number of the Port’s facilities. WRDA07 was approved by Congress and, in Section 5051 authorizes USACE, in cooperation with the Port of San Francisco, to seek appropriation of \$25 million for “...repair and removal, as appropriate, of Piers 30-32, 35, 36, 70 (including Wharves 7 and 8), and 80 in San Francisco, California, substantially in accordance with the Port’s redevelopment plan.” In 2011, Congress appropriated \$4.8 million of this authorization for removal of Pier 36, leaving \$20.2 million in authorization remaining. All funding from this source requires a 2:1 match from the Port. The Port has traditionally been the only City department with projects eligible for funding from the Army Corps.

In 2008 Congress placed a hold on project-based authorization, determining them to be “earmarks.” As of the writing of this plan, the United States Congress continues to operate under a two-year moratorium on congressionally directed spending, i.e., direct “project” funding. However, because this moratorium has a differential impact across funding sources – in particular, the budget for the USACE is more affected than others – there is a great deal of speculation that the definition of “earmark” may be revised. The Capital Plan assumes that the remaining authorization of \$20.2 million will be appropriated in the FY2020-24 period.
- Department of Homeland Security, Port Security Grants*** – Since 2007, the Port’s Homeland Security Division has applied for and been awarded over \$28 million in State and Federal Port Security grant Programs. Over the next five years, the Port plans to apply for an additional \$6.3 million in federal funding provided by FEMA under the PSGP (Port Security Grant Program). PSGP funding will provide enhanced security capabilities, establish boundaries, and provide controlled access where required and authorized, as well as enhance threat detection and prevention, and increase security measures for berth and passenger terminals that are consistent with Department of Homeland Security and United States Coast Guard requirements. It is expected that FEMA will continue to require a 25 percent match, which the Port will provide from the

capital budget. Individual security projects may include lighting, high security fencing, closed-circuit television (CCTV) cameras, intrusion detection systems, and vessels.

- ***San Francisco Bay Area Water Emergency Transportation Authority (WETA)*** – WETA is proposing to utilize federal and state funding to support a two-phased project to improve the Downtown Ferry Terminal (DTFT) at the San Francisco Ferry Building. WETA and the Port have entered into a Memorandum of Understanding (MOU) to undertake a coordinated planning effort for the DTFT expansion project in accordance with the Port's objectives for stewardship of the San Francisco waterfront and WETA's mission to provide ferry service and emergency operations. The project would expand the number of ferry gates, improve pedestrian circulation and ferry patron boarding, and enhance emergency response capabilities to evacuate people from San Francisco in the event of a major catastrophic event. The project plan includes \$108.3 million in funding from federal, state, and local sources, including FTA, California Proposition 1B, Proposition K (½ cent sales tax) and RM2 (bridge tolls) and addresses \$7.6 million in state-of-good-repair and \$2.1 million in seismic needs.

The DTFT project has two phases: Phase I completed in 2003 and included the construction of the existing Gates B and E as well as the Pier 14 breakwater and related public access and circulation improvements. Completion of the Phase II improvements, which will mark the full build-out of the Downtown Ferry Terminal, is expected by 2024. The project area includes the Ferry Building, the Ferry Plaza, the Agriculture Building, Pier ½, and Pier 2. The scope of work includes demolition, removal, repair, and replacement of existing facilities, as well as construction of new facilities in the project area. The Downtown Ferry Terminal can generally be divided into the North Basin (areas north of the Ferry Plaza) and South Basin (areas south of the Ferry Plaza). This plan assumes WETA will have necessary funds to construct three new ferry floats and associated landside improvements. WETA anticipates at least two construction phases (north and south of the Ferry Building) to complete the project.

- ***Environmental Clean-up and Open Space Projects*** – As part of a settlement agreement with the Cosco Busan following a collision with the Bay Bridge in 2012, the Port and Department of Recreation and Parks were awarded \$1.37 million in funding to be used for environmental clean-up and open space projects. The Port will use its \$685,000 share of the award to stabilize the shoreline at the future site of Crane Cove Park in the Port's Pier 70 area.
- ***California Coastal Conservancy Grant*** – The California Coastal Conservancy has awarded the Port \$620,000 for repair to the Port's historic Copra Crane, and for related removal of portions of Pier 84. The Copra Crane, operated by Longshoremen, was last utilized in 1974 to remove copra (dried coconut) imported from the Philippines from cargo vessels. It is an important part of Port labor history, as it is the last remnant of manually operated machinery for loading and unloading cargo on the San Francisco waterfront.

Table 2 lists several additional sources of funding that the Port staff has identified, but not yet secured, that could contribute significantly to future capital plans. Staff will make a concerted effort to realize these funding sources.

- ***USACE, Continuing Authorities Program Section 103/205, Seawall Study*** – In December of 2012, the Port made an official request of the USACE for assistance in studying the condition of San Francisco’s seawall. This request, made pursuant to the River and Harbor Act of 1960, as amended, Continuing Authorities Program Sections 103 and 205, will provide the basis for a construction improvement project addressing both structural stability and future sea level rise. Should the study determine that there is a federal interest in San Francisco’s seawall, as much as \$7 million in additional federal resources will become directly accessible to the project. Additional funding may also become indirectly available, should the project look to exceed the Continuing Authorities Program statutory project funding limit. This study will have the additional benefit of enabling the Port to take a more holistic approach to maintenance of the Port’s seawall. Currently, the various geographic elements of the structure are modeled independently with closer association to co-located structures than with the seawall itself. While the Port’s capital model, FRRM, does account for maintenance of these structures, there is currently no disambiguated cost estimate for maintenance of the seawall over the 10 year period of the plan.
- ***City Match to USACE WRDA 2020, Seawall Repair*** – Though WRDA legislation is intended to be biennial, as a matter of practice these new authorizations are passed into law much less frequently. For the next WRDA, Port staff will submit language to amend the Port’s existing WRDA07 authorization to increase the amount of funding authorized, and to make eligible appropriations for seawall construction or repair and removal of derelict pilings. This Authorization assumes a conservative estimate of \$60 million for a comprehensive rehabilitation and modernization of the San Francisco seawall. The USACE share of this project would be two-thirds, or \$40 million. The balance of funds, or local match for the seawall rehabilitation described above, is one-third, or \$20 million. Because this capital requirement is so high relative to the Port’s capital budget, and because the beneficiaries of this project extend far beyond the Port, the plan assumes that financing for the local share of the project would come from a general fund source that recognizes its City-wide benefit.
- ***USACE WRDA 2014, Expanded Uses of the Harbor Maintenance Trust Fund, Berth Dredging*** – As discussed earlier in this plan, draft legislation under serious consideration in Congress would allow for expanded uses of monies for the Harbor Maintenance Trust Fund that would make berths adjacent to federal channels eligible for federal cost share. Currently the Port expends roughly \$5 million per year, or approximately 50 percent of all available Port capital funds, on berth dredging. Port staff will be using all available resources to support this legislation. A recovery of Port dredging expense would benefit the Plan by redirecting a significant portion of the Port’s annually available capital funds—as much as one third of it—away from short term capital maintenance (dredging) toward longer term, enduring infrastructure improvements. Congress has not yet

approved nor set funding levels for this program and, as such, no specific funding amount is identified in this plan.

- ***United States Department of Defense (DOD)*** – As noted earlier, new rules governing congressionally directed spending currently prevent the Port from seeking new project-related funding from the DOD. While any relaxation of the restrictions on earmarks may help the Port, this plan does not assume any DOD funding in the first five years. Should funds become available, the Port would pursue additional support for Pier 70, where there is a clear connection to the United States Navy and the role the shipyard played during World War II. Based on previous successful funding requests, Port staff would target an amount of \$3 million with each request.
- ***United States Department of Transportation*** – In 2013, Congress authorized \$474 million in funding for the Transportation Infrastructure Generating Economic Recovery (TIGER) grant program. Eligible projects include highway, bridge, freight, high-speed and passenger rail, and infrastructure. Port staff intends to submit an application for \$15 million in funding for development of a new terminal at Pier 94, with an eye toward eventual exportation of iron ore. This is primarily a rail construction project, and would anticipate 20 percent of the funds, or \$3 million, be expended on planning and entitlement activities, with the remaining \$12 million expended on construction in the following year.
- ***State of California*** – Port staff anticipates a \$1 million award from the State of California by the middle of 2014 that will be utilized to improve public access to coastline areas on the Port's waterfront.

B.6 Transferrable Development Rights

Each of the pier sheds and associated bulkhead buildings on the Port's historic finger piers are collectively recognized as part of the Embarcadero Waterfront Historic District listed on the National Register of Historic Places. Any alteration or historic rehabilitation undertaken for these resources is required under Port Commission policy to comply with U.S. Secretary of the Interior Standards for Historic Rehabilitation (Secretary Standards). The Port has relied on the Federal Historic Tax Credit Program as one essential financing tool to assist in paying for the high cost of rehabilitation to meet the Secretary Standards. However, given the age of the piers and increasing costs of repair, structural and/or seismic interventions necessary to meet current codes, other financing strategies are required to save these historic resources and continue the Port's waterfront revitalization efforts.

The Port has initiated discussions with the Board of Supervisors, Planning Department, San Francisco Architectural Heritage and other preservation stakeholders to consider allowing the City's Transfer of Development Rights (TDR) program to be applied to historic rehabilitation projects defined by the Port Commission that would rehabilitate historic resources in the Embarcadero Historic District. TDR is an historic preservation incentive tool that allows unused development air rights on sites containing recognized historic resources of public value to be sold and applied to other development "receptor" sites. The City's TDR program requirements

and provisions are contained in the San Francisco Planning Code and administered by the San Francisco Planning Department. Any historic building that receives benefit from the TDR program would require that the allowable development of that site be reduced by the amount sold through the TDR program.

The Port sees TDR as an important financing tool that could generate significant funding to support historic rehabilitation costs of its historic pier resources, particularly at Piers 19, 23 and 29 in the Northern Waterfront.

In 2013, the Port participated with City Planning in a study of the current program to determine how the current TDR market is functioning and to what extent the addition of Port piers into the program would impact the existing market. The study concluded that there is some limited capacity in the local TDR market for addition of publicly-owned buildings, and that the City should remain open to the Port's proposal to use TDR for Piers 19, 23 and 29.

In 2013, the Planning Department and Capital Planning Committee endorsed the use of TDR for designated historic Civic Center Buildings including the War Memorial, only the second time in the history of the program that TDR has been used to help finance rehabilitation of publicly-owned historic buildings. The Planning Department and the Capital Planning Committee have determined that further use of TDR for publicly-owned buildings (including the Port's piers) should wait until market impacts of the War Memorial TDR allocation can be determined.

If the War Memorial allocation indicates that there is sufficient market demand to accommodate the Port's finger piers, the Board of Supervisors would have to adopt legislation authorizing the Port to participate in the TDR program. The Port has already succeeded in gaining State authorization to participate in the local TDR program through enactment of AB 2649 (Assemblymember Tom Ammiano).

VII. CONCLUSIONS

The Port's Ten-Year Capital Plan continues to evolve since its inception eight years ago. The Port has used the information that the Plan generates to develop and implement its legislative and financing strategies to redevelop the City's waterfront, fulfill its public trust mission, and reconnect the City with its waterfront.

Since the first plan in 2006, the Port has used this document to guide a total in investment of nearly \$196 million dollars in non-developer funding. Still, a persistent gap remains between the Port's available resources and ever growing need. It is a clear challenge, but one the Port has demonstrated it has the fortitude as an institution to meet. While the plan is a forward looking document, it is our history of continual improvement that has generated opportunity for growth, and leveraged even greater opportunity. The plan was integral to the Port's issuance of its revenue bonds as well as to the Port's preparations for the 34th America's Cup. It provides a solid framework and confidence-building, holistic view of the Port to interested constituents, as well as to general audiences.

As a road-map, the plan has enabled stronger application for federal grant funding, and stronger footing for inclusion in future City-sponsored general obligation bonds. The plan also served a vital role in supporting legislative changes to the Port's ability to develop Seawall Lot 337, Pier 70, and Piers 30-32 by securing tax increment to pay for public infrastructure investments in these proposed development project areas.

As envisioned by the Waterfront Land Use Plan, these and other development projects described in the Capital Plan remain the principal drivers of potential waterfront improvements, representing 36 percent of the state-of-good-repair funding in this year's plan and 52 percent of the proposed capital enhancements in the ten-year period. Much of this funding comes from project-generated IFD tax increment. The Port Commission and Port staff are extremely grateful to Mayor Ed Lee and the Board of Supervisors for making such a large commitment of non-trust City revenue by allowing the Port to capture this increment, enabling the Port to continue to improve the waterfront over the next decade.

To be sure, these revenues are dependent on approval of the projects themselves. To date, all of the Port's major development projects have enjoyed very strong public support through the public process. With the notable exception of the SWL 351/8 Washington Project which was the subject of a successful voter referendum overturning the Board of Supervisors' approval of that project, each of the Port's major development projects has enjoyed unanimous votes at the Board of Supervisors. The single largest threat to the roadmap in this year's Capital Plan would be a significant change in the real estate market or a dramatic change in the political climate vis-à-vis waterfront development.

Hosting the 34th America's Cup in the newly constructed James R. Herman Cruise Terminal during the Port's 150th year stands out as a seminal event for the Port. The potential for a 35th America's Cup and the prospect of transformative new developments south of the Bay Bridge portend continuing excitement and challenges for the Port Commission, staff and public over the next three to five years.

The next big capital planning challenge for the Port is to involve sister City agencies and regulatory partners in examining the Port's 100-year-old seawall to address its structural stability facing both a seismic event and future sea level rise. The long-range improvements to the City's seawall and marginal wharf will require a coordinated planning and funding strategy that will need to be reflected in future updates of the Port's Capital Plan.

Finally, the preliminary success of the Port-BCDC planning study and the Port's desire to reposition its northern waterfront piers for different uses through a public process underscore the need for strong public outreach and comprehensive planning. The Port must always take care to ensure that there is a strong local and regional public consensus regarding the future of one of the most beautiful public waterfronts in the world.

APPENDIX A – Ten-Year Capital Needs, By Facility

Definitions

Building Type: This is the fundamental structure type, where a ‘simple’ building is a warehouse or garage structure with limited subsystems, a ‘basic’ building is a standard commercial structure with appropriate subsystems, ‘small’ buildings are less than 5,000 square feet (and as such, the method for estimating costs for these structures is simplified), and a ‘pier’ is a pile supported over-water foundation structure (as distinct from a shed building that sit atop a pier).

Backlog: The accumulation of all overdue needed repair work, as of year one of this Plan.

Ten-Year Renewals: Costs for replacing building subsystems that will reach the end of their life between year one and year ten of this plan.

One-Time Costs: Costs that are singular in nature, such as a seismic upgrade, as differentiated from the cyclical costs of replacing building subsystems at the end of their lifetime (e.g., many roofs at the Port are 30-year roofs, and as such, are on a 30-year replacement schedule).

Bldg. No	Building Name	Building Type	Backlog	10 Year Renewal	One-Time	Seismic	Total
0000	Equipment	BASIC	\$0	\$0	\$10,156	\$0	\$10,156
000	Leased Piers	Port Wide	\$0	\$44,442	\$0	\$0	\$44,442
0000	Port-wide Projects	Port Wide	\$0	\$309,031	\$176,084	\$0	\$485,115
1001	Downtown Ferry Terminal	BASIC	\$724	\$0	\$2,496	\$0	\$3,220
1010	Pier 1	Piers	\$0	\$84	\$0	\$0	\$84
1010	Pier 1 - Office Building	BASIC	\$0	\$3,315	\$0	\$0	\$3,315
1015	Pier 1 1/2	Piers	\$0	\$0	\$0	\$0	\$0
1015	Pier 1 1/2 - Bulkhead/Shed Building	BASIC	\$0	\$268	\$0	\$0	\$268
1020	Pier 2	Piers	\$4,411	\$0	\$0	\$2,105	\$6,516
1030	Pier 3	Piers	\$8,072	\$0	\$0	\$6,245	\$14,317
1030	Pier 3 - Bulkhead/Shed Building	BASIC	\$0	\$433	\$0	\$0	\$433
1050	Pier 5	Piers	\$0	\$0	\$0	\$0	\$0
1055	Pier 5 1/2 - Bulkhead Building	BASIC	\$0	\$317	\$0	\$0	\$317
1070	Pier 7 Public Pier	Piers	\$0	\$0	\$0	\$0	\$0
1075	Pier 7 - The Waterfront Restaurant	BASIC	\$304	\$246	\$0	\$170	\$719
1075	Pier 7 1/2	Piers	\$0	\$0	\$0	\$0	\$0
1090	Pier 9	Piers	\$12,118	\$0	\$0	\$10,086	\$22,204
1090	Pier 9 Bulkhead/Shed Building	BASIC	\$9,124	\$5,079	\$0	\$3,600	\$17,802
1095	Pier 9 1/2	Piers	\$795	\$0	\$0	\$654	\$1,449
1140	Pier 14 (Public Pier)	Piers	\$0	\$0	\$0	\$0	\$0
1150	Pier 15	Piers	\$135	\$0	\$0	\$0	\$135
1150	Pier 15 - Bulkhead/Shed Building (contains trailer)	SIMPLE	\$3,085	\$569	\$0	\$3,903	\$7,557
1155	Pier 15/17 - Office on Marginal Wharf	SMALL	\$0	\$0	\$0	\$0	\$0
1155	Pier 15/17 Valley - demolition	Piers	\$9,074	\$0	\$0	\$0	\$9,074
1170	Pier 17	Piers	\$100	\$0	\$0	\$0	\$100
1170	Pier 17 - Shed Building	SIMPLE	\$3,191	\$841	\$0	\$3,275	\$7,307
1175	Pier 17 1/2	Piers	\$1,478	\$0	\$0	\$486	\$1,964

Bldg. No	Building Name	Building Type	Backlog	10 Year Renewal	One-Time	Seismic	Total
1190	Pier 19	Piers	\$4,205	\$0	\$0	\$6,524	\$10,729
1190	Pier 19 - Bulkhead/Shed Building	SIMPLE	\$1,349	\$170	\$0	\$2,744	\$4,263
1195	Pier 19 1/2	Piers	\$5,259	\$0	\$0	\$2,904	\$8,163
1195	Pier 19 1/2 - Bulkhead/Shed	SIMPLE	\$639	\$78	\$0	\$1,228	\$1,946
1225	Pier 22 1/2	Piers	\$2,364	\$9	\$0	\$1,023	\$3,396
1225	Pier 22 1/2 - Fire Station	BASIC	\$681	\$0	\$0	\$139	\$820
1225	Pier 22 1/2 - Maintenance / Recreation	SMALL	\$0	\$0	\$0	\$0	\$0
1230	Pier 23	Piers	\$6,245	\$0	\$0	\$10,353	\$16,598
1230	Pier 23 - Bulkhead/Shed Building	SIMPLE	\$634	\$0	\$0	\$2,815	\$3,449
1235	Pier 23 1/2	Piers	\$2,922	\$0	\$0	\$480	\$3,402
1235	Pier 23 1/2 Pier 23 Cafe	SMALL	\$0	\$0	\$0	\$0	\$0
1245	Pier 24 1/2	Piers	\$4,498	\$0	\$1,004	\$2,521	\$8,023
1245	Pier 24 1/2 - Bulkhead/Shed Building	SIMPLE	\$616	\$0	\$0	\$784	\$1,400
1260	Pier 26	Piers	\$15,378	\$0	\$309	\$15,142	\$30,829
1260	Pier 26 - Bulkhead/Shed	SIMPLE	\$2,138	\$3,090	\$0	\$3,606	\$8,834
1265	Pier 26 1/2	Piers	\$3,389	\$0	\$286	\$2,446	\$6,121
1265	Pier 26.5 - Bulkhead	BASIC	\$2,219	\$906	\$0	\$0	\$3,126
1270	Pier 27	Piers	\$0	\$445	\$0	\$0	\$445
1270	Pier 27 - Office Annex	SMALL	\$560	\$0	\$0	\$0	\$560
1280	Pier 28	Piers	\$9,877	\$0	\$406	\$14,169	\$24,452
1280	Pier 28 - Bulkhead/Shed Building	SIMPLE	\$2,138	\$595	\$0	\$2,158	\$4,892
1285	Pier 28 1/2	Piers	\$486	\$0	\$0	\$369	\$855
1285	Pier 28 1/2 - Hide Restaurant	SMALL	\$206	\$0	\$0	\$0	\$206
1290	Pier 29	Piers	\$9,720	\$0	\$0	\$0	\$9,720
1290	Pier 29 - *Bulkhead/Shed Building	SIMPLE	\$0	\$0	\$0	\$4,346	\$4,346
1295	Pier 29 1/2	Piers	\$0	\$0	\$0	\$0	\$0
1295	Pier 29 1/2 - Bulkhead Building	SIMPLE	\$1,436	\$95	\$0	\$1,473	\$3,004
1310	Pier 31	Piers	\$4,888	\$0	\$0	\$16,579	\$21,467
1310	Pier 31 - Bulkhead/Shed Building	SIMPLE	\$2,995	\$1,378	\$0	\$2,667	\$7,040
1315	Pier 31 1/2	Piers	\$3,651	\$0	\$0	\$3,002	\$6,653
1320	Pier 30 and 32	Piers	\$97,000	\$281	\$0	\$68,000	\$165,281
1325	Pier 32 1/2 Marginal Wharf (Brannon St)	Piers	\$0	\$0	\$0	\$0	\$0
1330	Pier 33	Piers	\$6,477	\$0	\$143	\$10,654	\$17,274
1330	Pier 33 - Bulkhead/Shed Building	SIMPLE	\$1,957	\$1,858	\$0	\$2,495	\$6,310
1335	Pier 33 1/2	Piers	\$0	\$0	\$0	\$471	\$471
1335	Pier 33 1/2 - Bulkhead Building	BASIC	\$0	\$109	\$0	\$0	\$109
1345	Pier 34 1/2 Marginal Wharf	Piers	\$0	\$0	\$0	\$0	\$0
1350	Pier 35 - Bulkhead/Shed Building	BASIC	\$5,524	\$13,177	\$358	\$4,758	\$23,817
1350	Pier 35 Cruise Terminal	Piers	\$40,753	\$261	\$1,193	\$8,360	\$50,567
1355	Pier 35 1/2	Piers	\$0	\$0	\$0	\$5,145	\$5,145
1380	Pier 38	Piers	\$18,196	\$0	\$0	\$16,127	\$34,323
1380	Pier 38 - Bulkhead/Shed Building	SIMPLE	\$392	\$1,762	\$0	\$3,113	\$5,267
1385	Pier 38 1/2	Piers	\$625	\$0	\$0	\$514	\$1,139
1390	Pier 39	Piers	\$0	\$0	\$0	\$0	\$0
1390	Pier 39 - Retail Shops	BASIC	\$4,130	\$4,646	\$0	\$7,332	\$16,109
1390	Pier 39 - Underwater World	BASIC	\$298	\$813	\$0	\$0	\$1,111
1395	Pier 39 1/2 Marginal Wharf	Piers	\$0	\$0	\$0	\$0	\$0

Bldg. No	Building Name	Building Type	Backlog	10 Year Renewal	One-Time	Seismic	Total
1400	Pier 40	Piers	\$5,226	\$0	\$0	\$10,369	\$15,595
1400	Pier 40 - Shed Building	SIMPLE	\$261	\$694	\$0	\$1,289	\$2,244
1400	Pier 40 Restaurant & Robert Steck Chandelery	BASIC	\$53	\$217	\$0	\$224	\$494
1405	Pier 40 1/2 (S Beach Harbor Wharf)	Piers	\$2,761	\$0	\$0	\$454	\$3,215
1405	Pier 40 1/2 - Java House	SMALL	\$0	\$0	\$0	\$0	\$0
1410	Pier 41	Piers	\$0	\$0	\$0	\$3,216	\$3,216
1415	Pier 41 1/2	Piers	\$2,091	\$0	\$0	\$0	\$2,091
1415	Pier 41 1/2 - Blue&Gold Bldg.	BASIC	\$0	\$742	\$0	\$414	\$1,156
1430	Pier 43	Piers	\$0	\$0	\$0	\$301	\$301
1430	Pier 43 - Arch	SMALL	\$236	\$0	\$0	\$0	\$236
1435	Pier 43 1/2	Piers	\$0	\$0	\$0	\$0	\$0
1435	Pier 43 1/2 - Franciscan Restaurant	BASIC	\$628	\$666	\$0	\$401	\$1,696
1435	Pier 43 1/2 - Red & White Tours	SMALL	\$0	\$34	\$0	\$0	\$34
1450	Pier 45	Piers	\$1,076	\$2,488	\$0	\$0	\$3,564
1450	Pier 45 - Shed A	SIMPLE	\$697	\$1,378	\$0	\$2,032	\$4,107
1450	Pier 45 - Shed B	SIMPLE	\$701	\$1,385	\$0	\$2,042	\$4,128
1450	Pier 45 - Shed C	SIMPLE	\$984	\$1,153	\$0	\$2,080	\$4,216
1450	Pier 45 - Shed D	SIMPLE	\$693	\$1,192	\$0	\$1,845	\$3,730
1461	Pier 46B China Basin Ferry Terminal	Piers	\$912	\$0	\$0	\$0	\$912
1470	Pier 47 - Guardinos Storage Bldg	SMALL	\$0	\$61	\$0	\$0	\$61
1470	Pier 47 - Scoma / Fish Prep Bldg	SMALL	\$0	\$56	\$0	\$0	\$56
1470	Pier 47 - Scoma Storage Bldg	SMALL	\$0	\$98	\$0	\$0	\$98
1470	Pier 47 - Scomas Restaurant	BASIC	\$369	\$1,163	\$0	\$348	\$1,879
1470	Pier 47 - Scomas Storage Shed	SMALL	\$0	\$21	\$0	\$0	\$21
1470	Pier 47 - Wharf J6, J7, J8	Piers	\$2,822	\$0	\$0	\$4,348	\$7,170
1470	Pier 47 WF Albert Seafoods Proc Bldg	SIMPLE	\$136	\$87	\$0	\$183	\$407
1480	Pier 48	Piers	\$9,963	\$0	\$143	\$1,379	\$11,485
1480	Pier 48 - Shed A	SIMPLE	\$1,714	\$412	\$0	\$0	\$2,126
1480	Pier 48 - Shed B	SIMPLE	\$1,761	\$423	\$0	\$0	\$2,184
1485	Pier 48 1/2 - Jellys restaurant	SMALL	\$0	\$0	\$0	\$0	\$0
1490	Pier 49 - Aliotos Restaurant (Wharf J-1)	BASIC	\$0	\$416	\$0	\$338	\$754
1490	Pier 49 - Fishermans Grotto No. 9 (Wharf J-1)	BASIC	\$0	\$646	\$0	\$526	\$1,172
1490	Pier 49 - Fishermans Memorial Chapel	SMALL	\$0	\$158	\$0	\$0	\$158
1490	Pier 49 - Guardinos (Wharf J-1)	SMALL	\$0	\$0	\$0	\$0	\$0
1490	Pier 49 - Sabella & Latorre (Wharf J-1)	SMALL	\$0	\$0	\$0	\$0	\$0
1490	Pier 49 - Tarantinos Restaurant (Wharf J-1)	BASIC	\$0	\$359	\$0	\$200	\$559
1490	Pier 49 - The Crab Station (Wharf J-1)	SMALL	\$0	\$0	\$0	\$0	\$0
1490	Pier 49 Nicks Lighthouse (Wharf J-1)	SMALL	\$0	\$176	\$0	\$0	\$176
1490	Wharfs J-1 and J-3 (Pier 49)	Piers	\$0	\$0	\$114	\$3,205	\$3,319
1500	Pier 50	Piers	\$23,755	\$1,879	\$0	\$19,471	\$45,105
1500	Pier 50 - Shed A	SIMPLE	\$2,262	\$363	\$0	\$2,086	\$4,712
1500	Pier 50 - Shed B	SIMPLE	\$1,174	\$1,175	\$0	\$2,115	\$4,464
1500	Pier 50 - Shed C	SIMPLE	\$1,760	\$1,373	\$0	\$2,541	\$5,673
1500	Pier 50 - Shed D	SIMPLE	\$1,359	\$1,054	\$0	\$2,934	\$5,347
1505	Pier 50 1/2	Piers	\$0	\$0	\$0	\$374	\$374

Bldg. No	Building Name	Building Type	Backlog	10 Year Renewal	One-Time	Seismic	Total
1520	Pier 52	Piers	\$0	\$0	\$4,300	\$0	\$4,300
1540	Pier 54	Piers	\$26,542	\$0	\$0	\$8,927	\$35,469
1540	Pier 54 - Office Bldg	SMALL	\$527	\$0	\$0	\$0	\$527
1540	Pier 54 - Oil Shed	SMALL	\$126	\$0	\$0	\$0	\$126
1540	Pier 54 - Shed Building	SIMPLE	\$413	\$94	\$0	\$690	\$1,196
1540	Pier 54 - Storage Shed	SMALL	\$0	\$42	\$0	\$0	\$42
1600	Pier 60 - Wharf - wood piles	Piers	\$1,160	\$0	\$0	\$502	\$1,662
1620	Third Street Bridge House	SMALL	\$0	\$25	\$0	\$0	\$25
1640	Pier 64	Piers	\$2,867	\$0	\$1,859	\$0	\$4,726
1645	Pier 64 1/2 Kelly Mission Rock Resort Restrt	BASIC	\$0	\$438	\$0	\$0	\$438
1680	Pier 68	Piers	\$7,542	\$41,052	\$7,481	\$0	\$56,075
1680	Pier 70 - Pier 68 - Bathrooms Bldg. #141	SMALL	\$0	\$63	\$0	\$0	\$63
1680	Pier 70 - Pier 68 - Beth Street Substation #2, Bldg. #50	SMALL	\$95	\$0	\$0	\$0	\$95
1680	Pier 70 - Pier 68 - Beth Street Warehouse Bldg. #30	SMALL	\$0	\$739	\$0	\$0	\$739
1680	Pier 70 - Pier 68 - Blast Shed Bldg. #150	SMALL	\$0	\$0	\$0	\$0	\$0
1680	Pier 70 - Pier 68 - Boiler/Steam Power House - #103	SMALL	\$293	\$0	\$229	\$0	\$522
1680	Pier 70 - Pier 68 - Building #149	SMALL	\$0	\$0	\$0	\$0	\$0
1680	Pier 70 - Pier 68 - Cable/Electric Shop - Bldg. #38	SIMPLE	\$833	\$0	\$6,381	\$0	\$7,214
1680	Pier 70 - Pier 68 - Checkhouse #1, Bldg. #122	SMALL	\$0	\$0	\$187	\$0	\$187
1680	Pier 70 - Pier 68 - Checkhouse #2, Bldg. #123	SMALL	\$0	\$0	\$91	\$0	\$91
1680	Pier 70 - Pier 68 - Equipment Building #36	SIMPLE	\$335	\$46	\$2,602	\$0	\$2,983
1680	Pier 70 - Pier 68 - Machine Shop - Bldg. #105	SIMPLE	\$513	\$46	\$4,193	\$0	\$4,752
1680	Pier 70 - Pier 68 - near checkhouse #2, Building #51	SMALL	\$63	\$0	\$0	\$0	\$63
1680	Pier 70 - Pier 68 - Office Bldg (#127)	SMALL	\$0	\$0	\$0	\$0	\$0
1680	Pier 70 - Pier 68 - Office Bldg Annex to #101, Bldg. #40	BASIC	\$1,489	\$0	\$0	\$330	\$1,819
1680	Pier 70 - Pier 68 - Office Building #101	BASIC	\$6,886	\$0	\$6,280	\$0	\$13,166
1680	Pier 70 - Pier 68 - Office Building #104	BASIC	\$4,350	\$0	\$5,473	\$0	\$9,823
1680	Pier 70 - Pier 68 - Office/Warehouse Bldg.- Bldg #111	BASIC	\$6,092	\$1,378	\$11,138	\$0	\$18,608
1680	Pier 70 - Pier 68 - Ops. Bldg #102	BASIC	\$1,035	\$0	\$2,205	\$0	\$3,240
1680	Pier 70 - Pier 68 - Pipe Rack, Bldg. #120	SMALL	\$0	\$0	\$48	\$0	\$48
1680	Pier 70 - Pier 68 - Pipe Storage Bldg #107	SMALL	\$0	\$227	\$0	\$0	\$227
1680	Pier 70 - Pier 68 - Sheet Metal/Tools Bldg #109	SIMPLE	\$1,417	\$765	\$535	\$0	\$2,716

Bldg. No	Building Name	Building Type	Backlog	10 Year Renewal	One-Time	Seismic	Total
1680	Pier 70 - Pier 68 - Shipwright Building - #108	BASIC	\$6,413	\$0	\$11,369	\$0	\$17,782
1680	Pier 70 - Pier 68 - Steel Shop Office (bldg #121)	SMALL	\$0	\$97	\$0	\$0	\$97
1680	Pier 70 - Pier 68 - Substation #4 (bldg #58)	SMALL	\$0	\$0	\$149	\$0	\$149
1680	Pier 70 - Pier 68 - Substation #6, Bldg. #64	SMALL	\$315	\$0	\$1,070	\$0	\$1,385
1680	Pier 70 - Pier 68 - Substation #7 (bldg #68)	SMALL	\$0	\$0	\$83	\$0	\$83
1680	Pier 70 - Pier 68 - Warehouse & 6-ton crane, Bldg. #49	SIMPLE	\$96	\$132	\$26	\$0	\$255
1680	Pier 70 - Pier 68 - Yard Washroom, Bldg. #110	SMALL	\$619	\$0	\$809	\$0	\$1,428
1680	Pier 70 - Pier 68 - Yard Washroom, Bldg. #119	SMALL	\$227	\$0	\$0	\$0	\$227
1700	Pier 70	Piers	\$52,723	\$0	\$20,604	\$26,886	\$100,213
1800	Pier 80	Piers	\$9,560	\$2,795	\$35,910	\$28,665	\$76,930
1800	Pier 80 - Entry Canopy	SIMPLE	\$257	\$0	\$0	\$309	\$566
1800	Pier 80 - Gear & Maintenance Building	SIMPLE	\$1,168	\$92	\$0	\$1,092	\$2,352
1800	Pier 80 - Office Bldg #2	SMALL	\$111	\$0	\$0	\$0	\$111
1800	Pier 80 - Service Building	SIMPLE	\$1,277	\$1,341	\$0	\$868	\$3,486
1800	Pier 80 - Shed A	SIMPLE	\$0	\$1,768	\$17,793	\$6,278	\$25,839
1800	Pier 80 - Shed D	SIMPLE	\$3,133	\$1,333	\$0	\$4,734	\$9,200
1800	Pier 80 - Terminal Office	SMALL	\$280	\$0	\$0	\$0	\$280
1800	Pier 80 Office Bldg #1	SMALL	\$111	\$0	\$0	\$0	\$111
1840	Copra Crane	BASIC	\$854	\$0	\$0	\$0	\$854
1900	Pier 90	Piers	\$11,178	\$0	\$0	\$0	\$11,178
1900	Pier 90 - Fire Department Building	BASIC	\$77	\$28	\$0	\$175	\$280
1900	Pier 90 - Maintenance Bldg	SMALL	\$0	\$99	\$0	\$0	\$99
1900	Pier 90 - Old Powerhouse	SMALL	\$0	\$0	\$0	\$0	\$0
1900	Pier 90 - Storage Bldg	SMALL	\$0	\$37	\$0	\$0	\$37
1900	Pier 90 - Truck Pits	SMALL	\$0	\$103	\$0	\$0	\$103
1920	Pier 92	Piers	\$4,270	\$0	\$0	\$0	\$4,270
1940	Pier 94 - 96 wharf area	Piers	\$5,317	\$0	\$7,988	\$0	\$13,305
1940	Pier 94 - Wharfside Building	SMALL	\$0	\$0	\$0	\$0	\$0
1960	Pier 96 - Administration Building	BASIC	\$908	\$609	\$0	\$435	\$1,952
1960	Pier 96 - Entry Canopy	SIMPLE	\$233	\$0	\$0	\$280	\$513
1960	Pier 96 - Exit Canopy	SIMPLE	\$138	\$0	\$0	\$166	\$304
1960	Pier 96 - Gatehouse Bldg	SMALL	\$0	\$229	\$0	\$0	\$229
1960	Pier 96 - Maintenance Building	BASIC	\$1,467	\$780	\$0	\$848	\$3,095
1960	Pier 96 - Office/Restroom	SMALL	\$0	\$135	\$0	\$0	\$135
1960	Pier 96 - Recycling/LASH Terminal	SIMPLE	\$2,501	\$5,075	\$0	\$5,222	\$12,798
1960	Pier 96 - Storage	SMALL	\$0	\$152	\$0	\$0	\$152
1960	Pier 96 - Truck Scales	SMALL	\$0	\$39	\$0	\$0	\$39
1980	Heron's Head Park	BASIC	\$0	\$0	\$215	\$0	\$215
2000	Fac. 2000 - Ferry Plaza	Piers	\$603	\$372	\$0	\$0	\$975
2500	Hyde Street Pier	Piers	\$0	\$0	\$0	\$0	\$0
2500	Hyde Street Pier - Storage Buildings (3)	SMALL	\$0	\$158	\$0	\$0	\$158

Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewal	One-Time	Seismic	Total
2505	Pier 50 Administration Building	BASIC	\$1,819	\$623	\$107	\$438	\$2,987
2740	Fac. 200 - World Trade Club Restaurant	BASIC	\$322	\$1,101	\$0	\$841	\$2,265
2750	Fac. 274-175 - Ferry Building Clock Tower	BASIC	\$0	\$461	\$0	\$342	\$803
2750	Fac. 274-275 Ferry Building	BASIC	\$0	\$12,376	\$0	\$8,354	\$20,730
2750	Ferry Building: Fac. 274 - 275	Piers	\$0	\$0	\$0	\$0	\$0
2770	Pier 2 - Sinbads	BASIC	\$0	\$0	\$0	\$0	\$0
2780	Fac. 278 Agriculture Bldg Substructure	Piers	\$5,398	\$0	\$0	\$2,959	\$8,357
2780	Fac. 278 Agriculture Building	BASIC	\$3,552	\$274	\$0	\$621	\$4,447
2800	Pier 80 Administration Building	BASIC	\$3,462	\$2,498	\$967	\$1,232	\$8,159
3010	SWL 301 - Andre Boudin Pavilion	SMALL	\$0	\$0	\$0	\$0	\$0
3010	SWL 301 - Andre Boudin Restaurant	BASIC	\$0	\$438	\$0	\$0	\$438
3020	Street - Pier 47, Fish Alley, Al Scoma Way	Street	\$397	\$0	\$0	\$0	\$397
3020	SWL 302 - Alioto Fish Co.	BASIC	\$0	\$1,652	\$0	\$443	\$2,095
3020	SWL 302 - Castagnola/Storage Bldg	SMALL	\$0	\$136	\$0	\$0	\$136
3020	SWL 302 - Crab Boat Owners Assn.	BASIC	\$385	\$0	\$0	\$76	\$461
3020	SWL 302 - Firewood Cafe	BASIC	\$0	\$389	\$0	\$111	\$500
3020	SWL 302 - Pompeis Grotto	BASIC	\$0	\$308	\$0	\$115	\$423
3020	SWL 302 - Port Harbor Office	SMALL	\$0	\$60	\$0	\$0	\$60
3020	SWL 302 - Scomas (Smoke House)	BASIC	\$0	\$76	\$0	\$134	\$210
3020	SWL 302 - United Shellfish Warehouse	SMALL	\$0	\$0	\$0	\$0	\$0
3020	SWL 302 Castagnola Rest.	BASIC	\$0	\$509	\$0	\$414	\$923
3020	SWL 302 Coast Marine Supply Mat. Storage Bldg	SIMPLE	\$0	\$462	\$0	\$585	\$1,047
3020	SWL 302 Costal Marine Retail Space	SMALL	\$0	\$287	\$0	\$0	\$287
3020	SWL 302 D&G Co. d.b.a. Lou Blues	SMALL	\$0	\$581	\$0	\$0	\$581
3020	SWL 302 Franks Fisherman Supply	BASIC	\$97	\$410	\$0	\$230	\$737
3020	SWL 302 Substructure (Wharf J-9)	Piers	\$5,556	\$0	\$0	\$1,957	\$7,513
3020	SWL 302 United Shellfish Processing	SIMPLE	\$0	\$43	\$0	\$48	\$91
3030	Street - Hyde Alley, Fish Alley	Street	\$295	\$0	\$0	\$0	\$295
3030	SWL 302 Cal Shell Fish Shed	SMALL	\$0	\$116	\$0	\$0	\$116
3030	SWL 303 - Alioto Fish Co.	BASIC	\$253	\$676	\$0	\$206	\$1,135
3030	SWL 303 - Cal Shell Fish	BASIC	\$148	\$164	\$0	\$137	\$449
3030	SWL 303 - Cioppinos(Hoppe)	BASIC	\$0	\$713	\$0	\$320	\$1,033
3030	SWL 303 - Franceschis Restaurant	BASIC	\$0	\$186	\$0	\$104	\$290
3030	SWL 303 - GP Resources	SMALL	\$33	\$0	\$0	\$0	\$33
3030	SWL 303 - SP Trantino/Martell Ins	SMALL	\$0	\$0	\$0	\$0	\$0
3030	SWL 303 - The Bay Company, Hoppe, Arthur N.	BASIC	\$0	\$418	\$0	\$234	\$652
3110	SWL 311 Pier 39 Garage	SIMPLE	\$0	\$897	\$0	\$6,781	\$7,678
3130	SWL 313 Embarcadero Triangle Lot Assn.	SIMPLE	\$0	\$408	\$0	\$3,216	\$3,624
3150	SWL 315 Office Building (HHC Investment limited)	BASIC	\$0	\$7,849	\$0	\$3,704	\$11,553
3160	SWL 316 Houstons Restaurant	BASIC	\$0	\$1,006	\$0	\$353	\$1,359
3170	SWL 317 Office Building	BASIC	\$0	\$8,616	\$0	\$4,065	\$12,681
3180	SWL 318 Roundhouse One	BASIC	\$349	\$879	\$0	\$564	\$1,792

Bldg. No	Building Name	Building Type	Backlog	10 Year Renewal	One-Time	Seismic	Total
3180	SWL 318 Roundhouse Two	BASIC	\$981	\$253	\$0	\$766	\$2,000
3180	SWL 318 Sandhouse	SMALL	\$0	\$227	\$0	\$0	\$227
3190	SWL 319 Fog City Diner	BASIC	\$0	\$156	\$0	\$130	\$286
3220	SWL 322 ABC TV	BASIC	\$0	\$6,039	\$0	\$4,747	\$10,786
3270	Epic Roasthouse	BASIC	\$0	\$142	\$0	\$0	\$142
3270	Waterbar Restaurant	BASIC	\$0	\$142	\$0	\$0	\$142
3310	SWL 331 & 332 Delancey Street Foundation	BASIC	\$0	\$5,721	\$0	\$4,590	\$10,311
3450	Pier 70 - SWL 345 - Kneass Boatworks, Main Office/boat storage	SIMPLE	\$0	\$0	\$1,774	\$0	\$1,774
3450	Pier 70 - SWL 345 - Kneass, Pier 66 Boatyard Office	SMALL	\$315	\$0	\$0	\$0	\$315
3450	SWL 345 - SF Boat Works Office/Shop	BASIC	\$196	\$281	\$0	\$216	\$694
3450	SWL 345 - SF Boat Works Storage/The Ramp	SIMPLE	\$166	\$0	\$0	\$179	\$345
3490	Pier 70 - SWL 349 - Auto Yard Shop Bldg #19	SIMPLE	\$201	\$0	\$1,183	\$0	\$1,384
3490	Pier 70 - SWL 349 - Beth Street Stress Relieving, Bldg. #16	SIMPLE	\$283	\$0	\$1,317	\$0	\$1,600
3490	Pier 70 - SWL 349 - Beth Street Warehouse, Bldg. #32	SIMPLE	\$366	\$0	\$1,623	\$0	\$1,989
3490	Pier 70 - SWL 349 - Beth Street Washroom & Locker, Bldg. #24	SMALL	\$541	\$0	\$752	\$0	\$1,293
3490	Pier 70 - SWL 349 - Beth Street Washroom & Locker, Bldg. #25	SMALL	\$0	\$235	\$57	\$0	\$292
3490	Pier 70 - SWL 349 - Beth Street Washroom & Locker, Bldg. #29	SMALL	\$583	\$0	\$893	\$0	\$1,476
3490	Pier 70 - SWL 349 - Brass Foundry, Bldg. #115	SIMPLE	\$550	\$0	\$2,481	\$0	\$3,031
3490	Pier 70 - SWL 349 - Foundry, Bldg. #116	SIMPLE	\$550	\$0	\$5,302	\$0	\$5,852
3490	Pier 70 - SWL 349 - Test Room, Bldg. #23	SMALL	\$687	\$0	\$267	\$0	\$954
3490	Pier 70 - SWL 349 - UIW Machine Shop, Bldg. #114	SIMPLE	\$275	\$0	\$4,846	\$0	\$5,121
3490	Pier 70 - SWL 349 Building #6 (condemned)	SIMPLE	\$1,175	\$0	\$7,288	\$0	\$8,463
3490	Pier 70 - SWL 349 Equipment Bldg - Bldg #14	SIMPLE	\$492	\$0	\$2,643	\$0	\$3,135
3490	Pier 70 - SWL 349 Heavy Machine Shop Bldg #113	SIMPLE	\$2,627	\$0	\$22,244	\$0	\$24,871
3490	Pier 70 - SWL 349 Office Building - Bldg. #11 Noonan	BASIC	\$4,027	\$529	\$8,644	\$0	\$13,200
3490	Pier 70 - SWL 349 SF Shipyard Training Bldg 117	SIMPLE	\$906	\$0	\$10,936	\$0	\$11,842
3490	Pier 70 - SWL 349 Shop Building - Bldg #21	SIMPLE	\$255	\$0	\$2,070	\$980	\$3,305

Bldg. No	Building Name	Building Type	Backlog	10 Year Renewal	One-Time	Seismic	Total
3490	Pier 70 - SWL 349 Traffic Department Bldg. #12 & #15	BASIC	\$8,453	\$0	\$5,071	\$4,613	\$18,137
3490	Pier 70 - SWL 349 Traffic Dept. Shed - Bldg #66	SIMPLE	\$699	\$0	\$0	\$618	\$1,317
3490	Pier 70 - SWL 349 Warehouse - Bldg.2	SIMPLE	\$2,660	\$0	\$4,913	\$2,827	\$10,400
3520	SWL 352 - Backlands Redevelopment	BASIC	\$2,617	\$0	\$0	\$0	\$2,617
4001	Street - Hyde N of Jefferson to Hyde St Pier	Street	\$238	\$0	\$0	\$0	\$238
4002	Street - Jefferson from Leavenworth to Hyde	Street	\$129	\$0	\$332	\$0	\$461
4003	Street - R.H. Dana Dr. (Leavenworth) N of Jefferso	Street	\$147	\$0	\$0	\$0	\$147
4004	Street - Jefferson btw Jones and Leavenworth	Street	\$124	\$0	\$0	\$0	\$124
4006	Street - Taylor Street btw. Jefferson and Embarcadero	Street	\$304	\$0	\$287	\$0	\$591
4008	Street - Embarcadero from Taylor to Powell	Street	\$0	\$0	\$0	\$0	\$0
4017	Street - Lombard btw Sansome and Embarcadero	Street	\$178	\$0	\$0	\$0	\$178
4020	Street - Green between Davis and Front	Street	\$167	\$0	\$0	\$0	\$167
4022	Street - Broadway btw Embarcadero & Vallejo	Street	\$502	\$0	\$0	\$0	\$502
4033	Street - T. Francois along China Basin	Street	\$500	\$0	\$0	\$0	\$500
4034	Street - T. Francois btw China Basin and Mission R	Street	\$5,232	\$0	\$0	\$0	\$5,232
4036	Street - 20th east of Illinois	Street	\$456	\$0	\$0	\$0	\$456
4038	Street - 24th from Michigan to Maryland	Street	\$635	\$0	\$568	\$0	\$1,203
4040	Street - Marin east of Michigan	Street	\$167	\$0	\$0	\$0	\$167
4041	Street - TN, IN, MN btw Tulare and Marin	Street	\$875	\$0	\$0	\$0	\$875
4043	Street - Amador and extension	Street	\$2,016	\$0	\$0	\$0	\$2,016
5470	Wharf J-4	Piers	\$0	\$0	\$0	\$0	\$0
6020	Freight Yard - Intermodal Container Transfer Facility	Street	\$3,812	\$11,179	\$4,801	\$0	\$19,793
5470H	Joint Operations Center / Hyde Harbor Office	SIMPLE	\$0	\$0	\$0	\$0	\$0
5470H	Wharf J-11	Piers	\$0	\$0	\$0	\$0	\$0
PORT TOTAL			\$613,415	\$543,973	\$433,076	\$464,337	\$2,054,801

APPENDIX B - Allocation Strategy for Port Capital Funds

The Port's process for allocating its own limited capital funding involves a series of meetings with designated representatives from each of the Port's seven Divisions – the Capital Projects Working Group ("CP Group"). The CP Group developed the Port's evaluation criteria for capital projects, and weighting for each criterion. Annually, the CP Group allocates a total score to each capital project proposed by Port staff.

These first set of criteria address public safety concerns and conformance with the Port's mission, as set out in the Burton Act and Transfer Agreement of 1969, and are scored as follows:

<u>Review Criterion</u>	<u>Maximum Score</u>
Does the project address a code or regulatory issue?	20
Does the project significantly reduce liability to the Port?	15
Does the project promote maritime commerce, navigation or fisheries?	10
Does the project attract people to the waterfront?	10
Does the project protect natural or cultural resources?	15

The review process also employs two complimentary ways of scoring capital projects that would bring in additional revenue and/or reduce operating costs, the first intended to capture the efficiency of the investment, the second the scale of the financial impact:

What is the payback period, if 10 years or less?	10
What is the total ten-year financial benefit to the Port?	20

Where a project would pay for itself in 10 years, that project was scored by subtracting the payback period, in years, from 11. For example, a project with a payback period of three years would score 8 points in this category.

To determine the score assigned for the ten-year financial benefit, the CP Group took the real benefits, as recorded in dollars, and then considered the distribution of all the values returned for projects at the end of the review process. The results were a rather even distribution, which made appropriate a simple method of scaling, where a project received 1 point for every \$500,000 worth of benefit within the ten-year period. For example, a \$4 million project that would generate \$1 million per year in new revenues would score 12 points in this category $[(\$10 \text{ million} - \$4 \text{ million}) / \$500,000]$.

Finally, Port staff reviewed all projects to determine if they fell into one or more of the four major categories listed below. The CP Group determined that a project belonging to one of these groups was worthy of separate consideration either before or after other projects, depending on the category.

Prioritization Category

- Is the project required to address an emergency, defined as an immediate threat to human health or the environment?
- Is the project legally mandated by a regulatory order or legal judgment?

- Is the project substantially matched by outside funding sources?

De-prioritization Category

- Is the project non-revenue generating and does it have less than 25% in outside matching funds?

The project review process concludes with a proposed programming of Port capital funds over two years based on the above evaluation, which becomes the Port's two-year capital budget. For the remaining years of the ten-year capital plan, expenditures are assumed to be proportional to the categories funded in the two-year budget.

APPENDIX C – Criteria for Formation of Port IFD Project Areas

The Port IFD Guidelines establish the following minimum criteria regarding the formation of IFD project areas on Port property:

1. **Port land.** Consistent with the IFD law, the Port IFD may initially be formed only with Port land.
2. **Annexing non-Port land.** If an owner of non-Port land petitions to add adjacent property to a waterfront district in accordance with the IFD law, the City will consider on a case-by-case basis whether to annex such property and to what extent tax increment generated in the non-Port land but not used for waterfront district infrastructure should be subject to the City IFD Guidelines.
3. **CEQA.** Although the City may initially form the Port IFD to include all of the Port land, neither the Port IFD nor any project-specific project area will be authorized to use property tax increment until the City has completed environmental review of the proposed development project and any proposed public facilities to be financed with property tax increment from the project area.
4. **Priority of improvements.** Waterfront districts must finance improvements that are consistent with the IFD law, the Port's then-applicable Waterfront Land Use Plan, the Public Trust (if constructed on trust property), and the Port's 10-Year Capital Plan.
5. **Economic benefit.** The Infrastructure Financing Plan ("IFP") developed for the Port IFD will include a projection for each project area/waterfront district of the amount of total revenue that the City's General Fund is projected to receive as a result of the proposed development project and the number of jobs and other economic development benefits the waterfront district is projected to produce, similar to the type of analysis that City staff and consultants perform to comply with Chapter 29 of the Administrative Code to determine that projects requiring public funding are fiscally feasible and responsible.
6. **State and City matching contributions.** In those cases where the IFD Law authorizes the allocation of the State's share of property tax increment to a waterfront district in proportion to the City's allocation of tax increment to the waterfront district, the City will allocate to the waterfront district the amount of tax increment that will maximize the amount of the State's tax increment that is available to fund eligible projects in the waterfront district.
7. **Amount of increment allocated.** The waterfront districts will fund eligible waterfront improvements necessary for each proposed development project in an amount up to \$0.65 per property tax dollar, or, where permitted by State law, up to \$0.90 per property tax dollar, until the costs of required infrastructure are fully paid or reimbursed. The allocation should be sufficient to enable the Port to (a) obtain fair market rent for Port leases, and (b) enable proposed development projects to attract private equity. No

increment will be used to pay a developer's return. The Board of Supervisors in its discretion may allocate additional increment to other waterfront projects that require funding. Increment will be disbursed to the project area to fund (a) debt service and debt service coverage for bonds issued under the Mello-Roos Act ("Community Facilities District Bonds" or "CFD Bonds") or IFD bonds, and/or (b) eligible costs on a pay-as-you-go basis.¹⁶

8. **Excess increment.** Tax increment not required to fund eligible project-specific infrastructure will be allocated to the City's General Fund or to improvements to the City's seawall and measures to protect against sea level rise.
9. **Port annual capital program.** If the Port issues Port revenue bonds¹⁷ repaid by tax increment revenue generated in one or more waterfront districts, to further the purposes of Port Commission Resolution No. 12-22, adopting the Port's Policy for Funding Capital Budget Expenditures, the Port will annually invest in its annual Capital Program any tax increment revenue allocated to the waterfront district for the purpose of providing debt service coverage on Port revenue bond debt payable from tax increment.
10. **Funding for infrastructure maintenance.** Tax increment will be allocated to the Port IFD from a waterfront district only when the Port has identified a source of funding for the maintenance of any infrastructure to be financed. This source could be in the form of: (a) private financing mechanisms, such as a homeowners' association assessment; (b) a supplemental special tax (such as a community facilities district formed under the Mello-Roos Act) or assessment district (such as a community benefit district); or (c) the Port's maintenance budget or other allocation of the Port Harbor Fund.

¹⁶ For example, one vehicle for efficiently leveraging tax increment to finance public infrastructure would involve (i) formation of a community facilities district ("CFD") under the Mello-Roos Act and an IFD project area -- the boundaries of which are coterminous with the boundaries of the private development -- prior to construction of the public infrastructure, (ii) issuance of CFD bonds early in the development cycle, i.e., prior to generation of significant tax increment that can be allocated to the IFD, (iii) application of special taxes levied in the CFD to pay debt service as long as tax increment is not available and (iv) use of tax increment, when available, to pay debt service on the bonds, which allows a reduction in the amount of special taxes levied for that purpose.

¹⁷ City staff currently assumes that the preferred method for debt issuance would be a CFD bond repaid with IFD proceeds.



MEMORANDUM

February 7, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Informational presentation on the Port's Fiscal Year 2014-15 and Fiscal Year 2015-16 Biennial Operating and Capital Budgets

DIRECTOR'S RECOMMENDATION: Informational Item – No Action Required

The purpose of this item is to provide an overview of the Port's proposed Fiscal Year (FY) 2014-15 and FY 2015-16 Operating and Capital Budgets to allow for Port Commission and public feedback. Approval of this item is scheduled for the next Port Commission meeting on February 25, 2014. Following Port Commission approval, staff will submit the budget to Mayor Edwin Lee's Budget Office for inclusion in the Mayor's Proposed Budget to the Board of Supervisors. Additionally, staff will submit the Capital Budget to the City's Capital Planning Committee for review and approval.

In prior years, the Operating and Capital budgets have been considered in two separate items. Port staff has combined these items so that the Port Commission can more easily review the proposed allocation of Port revenues and fund balance to operating and capital expenses for FY 2014-15 and FY 2015-16.

CITY BUDGET OUTLOOK

While the local economy is improving, the Mayor's Office of Public Policy and Finance currently projects General Fund shortfalls of \$100.7 million for FY 2014-15 and an additional \$17.6 million in FY 2015-16, for a two-year shortfall of \$118.3 million. *Table 1* below shows the contributing factors to these shortfall projections, which include strong year-over-year local tax revenue growth offset by a loss of Fund Balance, expiration of one-time solutions, and growing expenses, particularly for personnel.

THIS PRINT COVERS CALENDAR ITEM NO. 8C

Table 1: Explanation of City's General Fund Deficits (\$ millions)

Major Revenue Changes		
	FY 2014-15	FY 2015-16
General Fund Revenues	\$ 123.8	\$ 149.5
Change in Starting Fund Balance	(47.4)	-
Change in One Time Sources	(13.3)	(16.3)
<i>Total Sources</i>	<i>\$ 63.1</i>	<i>\$ 133.2</i>
Major Expenditure Changes		
	FY 2014-15	FY 2015-16
Baselines and Reserves	\$ (17.4)	\$ (5.1)
Salaries and Fringe Benefits	(100.5)	(16.3)
Citywide Capital Budget	(26.3)	(36.1)
Departmental Uses	(8.8)	(40.4)
All Other Changes	(10.8)	(52.9)
<i>Total Uses</i>	<i>\$ (163.8)</i>	<i>\$ (150.8)</i>
Cumulative Shortfall	\$ (100.7)	\$ (118.3)

In order to address the shortfalls, Mayor Lee directed General Fund departments to submit ongoing savings equal to 1.5% of their General Fund Support for FY 2014-15 and 1.0% of their General Fund Support for FY 2015-16. Additionally, those departments were asked to submit contingency savings proposals equal to 1% of their General Fund Support for FY 2015-16.

While the Port is not subject directly to the Mayor's budget cuts, Enterprise departments were directed to submit balanced budgets. The Port is able to support growing expenses in FY 2014-15 and FY 2015-16 through improved revenue projections, meet the Operating Reserve Policy and the Capital Policy, fund new positions for operations and support additional debt service.

BUDGET OVERVIEW

The proposed budget for FY 2014-15 is \$115.9 million, a \$10.5 million (10.0%) increase over the FY 2013-14 approved budget. This includes \$77.9 million for the Operating Budget, a \$3.3 million (4.5%) increase, \$8.6 million for Other Projects, a \$4.3 million (98.9%) increase, and \$12.8 million for the Capital Budget, a \$1.2 million (-8.6%) decrease. The proposed budget for FY 2015-16 is \$120.9 million, a \$5.0 million (4.3%) increase from the proposed budget for FY 2014-15. This includes \$78.6 million for the Operating Budget, a \$0.8 million (1.0%) increase, \$8.7 million for Other Projects, a \$0.1 million (0.9%) increase, and \$12.8 million for the Capital Budget, which is flat year over year.

Table 2: Summary of Total Port Sources and Uses

	Budget 2013-14	Proposed 2014-15	Change from Approved 2013-14		Proposed 2015-16	Change from Proposed 2014-15	
			Amount	%		Amount	%
Sources							
Estimated Fund Balance	\$23,663,134	\$ 23,280,000	\$ (383,134)	-1.6%	\$ 23,350,000	\$ 70,000	0.3%
Operating Revenue	76,833,755	83,458,300	6,624,545	8.6%	88,275,300	4,817,000	5.8%
Development Recoveries (New)	-	4,220,000	4,220,000	0.0%	4,227,245	7,245	0.2%
South Beach Harbor & Marina	4,346,475	4,426,563	80,088	1.8%	4,499,200	72,637	1.6%
Transbay Enviro. Payment	550,000	550,000	-	0.0%	550,000	-	0.0%
Other Project Revenue, Subtotal	4,896,475	9,196,563	4,300,088	87.8%	9,276,445	79,882	0.9%
Total Sources	\$ 105,393,364	\$ 115,934,863	\$ 10,541,499	10.0%	\$ 120,901,745	\$ 4,966,882	4.3%
Uses							
Operating Expenses	\$ 70,272,515	\$ 73,564,673	\$ 3,292,158	4.7%	\$ 74,006,900	\$ 442,227	0.6%
Annual Projects	4,270,466	4,308,806	38,340	0.9%	4,622,722	313,916	7.3%
Operating Budget, Subtotal	74,542,981	77,873,479	3,330,498	4.5%	78,629,622	756,143	1.0%
Development Projects (New)	-	4,220,000	4,220,000	0.0%	4,227,245	7,245	0.2%
South Beach Harbor & Marina	4,346,475	4,426,563	80,088	1.8%	4,499,200	72,637	1.6%
Other Projects, Subtotal	4,346,475	8,646,563	4,300,088	98.9%	8,726,445	79,882	0.9%
Capital Project Appropriations	14,000,000	12,800,000	(1,200,000)	-8.6%	12,800,000	-	0.0%
Defunded Projects	-	(5,234,575)	(5,234,575)	0.0%	-	5,234,575	0.0%
Reallocation to New Projects	-	5,234,575	5,234,575	0.0%	-	(5,234,575)	0.0%
Capital Budget, Subtotal	14,000,000	12,800,000	(1,200,000)	-8.6%	12,800,000	-	0.0%
Total Expenses	92,889,456	99,320,042	6,430,586	6.9%	100,156,067	836,025	0.8%
Designation to Future Capital	1,952,418	5,584,821	3,632,403	186.0%	9,645,678	4,060,857	72.7%
15% Operating Expense Reserve	10,551,490	11,030,000	478,510	4.5%	11,100,000	70,000	0.6%
Reserves, Subtotal	\$ 12,503,908	\$ 16,614,821	4,110,913	32.9%	\$ 20,745,678	4,130,857	24.9%
Total Uses	\$ 105,393,364	\$ 115,934,863	\$ 10,541,499	10.0%	\$ 120,901,745	\$ 4,966,882	4.3%

In both years the budget meets the 15 percent Operating Reserve requirement and exceeds the Port's Capital Policy to direct an amount equal to or greater than 20 percent of Operating Revenues to the capital budget and to a designation that supports the capital budget the following year.¹

¹ The Port Commission passed a policy in 2008 that requires the Port to maintain a 15 percent reserve of funds for Operating Expenditures.

FUNDING SOURCES

The \$115.9 million FY 2014-15 proposed budget and the \$120.9 million FY 2015-16 proposed budget reflect \$10.5 million (10.0%) and \$5.0 million (4.3%) increases in available sources, respectively. While Fund Balance changed moderately each year, the key drivers to the changes are Operating Revenue and additional recoveries from developers for expenses as approved in various Exclusive Negotiating Agreements (ENAs). Such recoveries are fully offset by additional expenses.

Fund Balance

The Port's Fund Balance is used to fund capital projects and the 15 percent Operating Reserve. Fund Balance accumulates as a result of year-end surplus and the relatively new practice of designating projected net operating revenue to future capital projects.² For FY 2013-14, Port staff projects a year-end balance of \$12.7 million that includes a conservative estimate of \$10.7 million in expenditure savings and surplus revenues and \$2.0 million from the FY 2013-14 Designation to Future Capital. This combined amount plus the \$10.6 million of unused Operating Reserve equates to an estimated \$23.3 million Fund Balance for use in the FY 2014-15 proposed budget.

Table 3: Sources of FY 2014-15 Fund Balance (\$ millions)

Projected Operating Budget Surplus	\$ 10.7
FY 2013-14 Budgeted Designation to Capital	2.0
15% Operating Expenditure Reserve	<u>10.6</u>
Projected Fund Balance, FY 2014-15	\$ 23.3

The FY 2015-16 Fund Balance projection is \$23.4 million, a \$0.1 million (0.3%) increase, to accommodate the growth in the 15 percent Operating Reserve. If the FY 2013-14 and FY 2014-15 year-end balances come in stronger than currently projected, Port staff will present additional options to the Port Commission for capital spending in the FY 2015-16 budget.

Operating Revenues

The proposed \$83.5 million FY 2014-15 Operating Revenue budget reflects a \$6.6 million (8.6%) increase over the FY 2013-14 budget. The proposed \$88.3 million FY 2015-16 budget reflects a \$4.8 million (5.8%) increase over the proposed FY 2014-15 budget. Comparisons of the drivers of these increases are illustrated in the figures and table below. As shown in **Figure 1**, Commercial/Industrial Rent and Parking comprise 76 percent of Operating Revenue. Additionally, as shown in **Figure 2**, over the two-year period, Commercial/Industrial Rent and Parking and Cruise are the primary drivers of revenue growth in the Operating Budget.

² Rather than fund capital projects with Operating Revenue, this practice ensures that revenues are fully realized before they are committed to capital projects. At the end of the fiscal year, designated revenues are actualized and then appropriated for the following year's Capital budget.

Figure 1: FY 2014-15 Major Revenue Categories

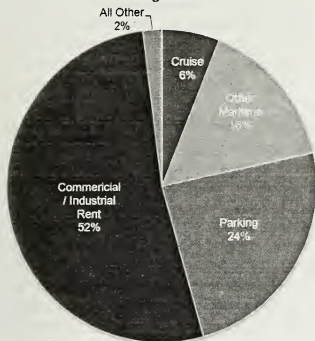


Figure 2: Percentage of Growth, by Major Area FY 2014-15 through FY 2015-16

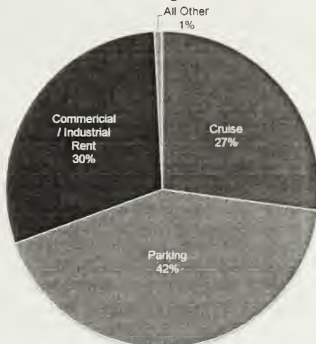


Table 4: Summary of Port Operating Revenues

	Budget 2013-14	Proposed 2014-15	Change from Budget 2013-14		Proposed 2015-16	Change from Projected 2012-13	
			Amount	Percent		Amount	Percent
Maritime							
Cruise	\$ 3,162,000	\$ 5,050,000	\$ 1,888,000	59.7%	\$ 6,271,000	\$ 1,221,000	24.2%
Cargo	4,875,564	5,080,000	204,436	4.2%	5,228,000	148,000	2.9%
Fishing	2,110,000	2,237,000	127,000	6.0%	2,281,000	44,000	2.0%
Other Marine	1,607,000	1,695,000	88,000	5.5%	1,731,000	36,000	2.1%
Harbor Services	1,992,300	2,061,000	68,700	3.4%	2,102,000	41,000	2.0%
Ship Repair	1,893,167	1,906,000	12,833	0.7%	1,547,000	-359,000	-18.8%
<i>Subtotal, Maritime</i>	<i>15,640,031</i>	<i>18,029,000</i>	<i>2,388,969</i>	<i>15.3%</i>	<i>19,160,000</i>	<i>1,131,000</i>	<i>6.3%</i>
Real Estate							
Parking	16,388,641	20,048,000	3,659,359	22.3%	21,229,000	1,181,000	5.9%
Commercial/ Industrial Rent	42,827,724	43,728,000	900,276	2.1%	46,228,000	2,500,000	5.7%
<i>Subtotal, Real Estate</i>	<i>59,216,365</i>	<i>63,776,000</i>	<i>4,559,635</i>	<i>7.7%</i>	<i>67,457,000</i>	<i>3,681,000</i>	<i>5.8%</i>
Other							
Developer Fees	300,000	-	(300,000)	-100.0%	-	0	0.0%
Permits	500,000	783,000	283,000	56.6%	785,000	2,000	0.3%
Special Events	47,000	51,000	4,000	8.5%	52,000	1,000	2.0%
Penalties/ Charges	19,300	19,300	-	0.0%	19,300	0	0.0%
Facility Damage	6,000	6,000	-	0.0%	6,000	0	0.0%
Miscellaneous	292,559	194,000	(98,559)	-33.7%	196,000	2,000	1.0%
Interest on Investments	812,500	600,000	(212,500)	-26.2%	600,000	0	0.0%
<i>Subtotal, Other</i>	<i>1,977,359</i>	<i>1,653,300</i>	<i>(324,059)</i>	<i>-16.4%</i>	<i>1,658,300</i>	<i>5,000</i>	<i>0.3%</i>
Total, Operating Revenues	\$76,833,755	\$83,458,300	\$ 6,624,545	8.6%	\$88,275,300	\$4,817,000	5.8%

The key trends behind revenue growth in the FY 2014-15 and FY 2015-16 budgets are:

Cruise – Cruise revenue is generated from passenger cruise vessel operations, including dockage and wharfage fees that are charged to cruise ships for berthing at Port facilities as well as the loading and unloading of passengers. Cruise revenues are projected to increase by \$1.9 million (59.7%) in FY 2014-15 and an additional \$1.2 million (24.2%) in FY 2015-16.

One major aspect of the revenue projection is an increase in wharfage and dockage revenues due to additional cruise call bookings for the 2014 and 2015 cruise seasons, as shown in **Table 5**. Additionally, revenues will increase by \$0.9 million in FY 2014-15 and \$1.5 million in FY 2015-16 as a result of implementing a Passenger Facility Charge (PFC) of \$6 per passenger to finance a portion of the new James R. Herman Cruise Terminal, which is scheduled to open in September 2014.³ Notably, Cruise revenues also include new Special Events and Parking revenues estimated at \$0.6 million in FY 2014-15 and \$1.2 million in FY 2015-16 as a result of the opening of the new cruise terminal.⁴ Revenues from the PFC, Parking and Special Events are all lower in the first year to reflect the partial year benefit that will result from opening the James R. Herman Cruise Terminal mid-way through the cruise season.

Table 5: Summary of Cruise Traffic and Revenues

	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>
Cruise Calls	64	73	73
Passenger Volume	241,000	261,000	261,000
Wharfage and Dockage Revenues	\$3,000,000	\$3,600,000	\$3,600,000
\$6 Passenger Facility Charge	NA	\$900,000	\$1,500,000
Special Events	NA	\$300,000	\$600,000
Parking Revenue	NA	\$300,000	\$600,000

Parking – Revenue from Parking is generated from street parking meters, monthly parking stalls, the rental of parking lot space to management operators, and parking ticket fines. In FY 2014-15 parking revenue is projected to increase by \$3.7 million (22.3%) including \$2.0 million (21.0%) for rent from parking lot operators, \$0.9 million (23.1%) for meters and \$0.8 million (33.2%) for fines. In FY 2015-16 revenues are projected to increase by an additional \$1.2 million (5.9%). In addition to a 2.5% assumed inflation from current revenue trends, the main driver behind the growth is returning 34th America's Cup (AC34) venue sites to interim parking, resulting in \$1.3 million and \$1.8 million in revenues in FY 2014-15 and FY 2015-16.

Commercial/Industrial Rents – Port Commercial/Industrial Rents are derived from established lease rates and percentage rent from leasing office, retail, warehouse and

³ The PFC directly offsets additional Debt Service that is included in the Operating Budget.

⁴ Revenues are subject to the business terms of the management agreement with Metro Cruises, which is currently under negotiation.

industrial property to non-maritime industry tenants. In FY 2014-15 Commercial/Industrial rent is expected to increase by \$0.9 million (2.1%) largely as a result of releasing AC34 venue sites. In FY 2015-16 Commercial/Industrial rent is projected to increase by an additional \$2.5 million (5.7%) when AC34 venue sites are fully utilized and other facilities, including Pier 31 and the remaining portion of Pier 33, are leased out.

Other Project Revenues

The budget includes revenue sources that are dedicated to specific expenditures that the Port budgets as special projects.

Table 6: Summary of Other Project Revenues

	Budget 2013-14	Proposed 2014-15	Change from Budget 2013-14		Proposed 2015-16	Change from Projected 2012-13	
			Amount	Percent		Amount	Percent
Development Recoveries	\$ -	\$ 4,220,000	\$ 4,220,000	100.0%	\$ 4,227,245	\$ 7,245	0.2%
South Beach Harbor Revenues	4,346,475	4,426,563	80,088	1.8%	4,499,200	72,637	1.6%
Transbay Environ. Payment	550,000	550,000	-	0.0%	550,000	-	0.0%
<i>Total Project Revenues</i>	<i>\$ 4,896,475</i>	<i>\$ 9,196,563</i>	<i>\$ 4,300,088</i>	<i>87.8%</i>	<i>\$ 9,276,445</i>	<i>\$ 79,882</i>	<i>0.9%</i>

Developer Transaction Payments (NEW) – In recent years the Port expended operating funds on professional services, legal costs from the City Attorney and outside counsel, Office of Economic and Workforce Development (OEWD) staff time and Planning Department permitting fees related to major development projects. As a result of Exclusive Negotiating Agreements (ENAs) for projects including the Warriors Pavilion at Piers 30-32, the Forest City and Orton Development projects at Pier 70, Mission Rock at Sea Wall Lot 337 and 8 Washington, the Port has recovered and will be able to continue to recover future transaction costs from developers. Based upon projected spending in FY 2014-15 and FY 2015-16, the budget includes a new recovery line of \$4.2 million of payments from developers. These recoveries are fully offset by related expenditures.

South Beach Harbor Operating Funds – The South Beach Harbor generates revenue as a full service marina, which consists of 700 slips with concrete docks, a 640 foot recreational and commercial Guest Dock, and the Pier 40 Maritime Center. The FY 2014-15 proposed budget includes \$4.4 million in revenues, a \$0.1 million (1.8%) increase from FY 2013-14, and the FY 2015-16 proposed budget includes \$4.5 million, a \$0.1 million (1.6%) increase from the proposed FY 2014-15 budget. These changes reflect annual inflation of berthing rates to fully support the harbor's operating expenses.

The Port and the Office of Community Investment and Infrastructure (OCII) are in ongoing discussions with the goal of terminating the South Beach/Rincon Point leases effective July 1, 2014. This action would make the Port responsible for the operations and liabilities of South Beach Harbor. Negotiations have focused on securing tax increment for the repayment of South Beach revenue bonds, resolving the outstanding Bay Conservation and Development Commission construction permit obligations, and

the terms and conditions of outstanding California Boating and Waterways loans. The Port has focused on ensuring that the South Beach Harbor is a self-supporting program prior to the transfer. The proposed budget may be adjusted to reflect a July 1, 2014 transfer, subject to future Port Commission, OCII and Oversight Board approval.

Transbay Environmental Payment – Each fiscal year the Port receives a \$0.6 million annual payment from the Transbay Cable Company that directly funds a project in the Capital Budget for the development of new open spaces, improvements to existing open spaces, and/or alternative energy projects that meet guidelines outlined in the Port's lease agreement with Transbay Cable Company. In FY 2014-15 and FY 2015-16 these funds will be combined with other sources to fund the development of the new Crane Cove Park.

OPERATING EXPENDITURES

The proposed \$77.9 million FY 2014-15 Operating Budget reflects a \$3.3 million (4.5%) increase over the FY 2013-14 budget. The proposed \$78.6 million FY 2015-16 budget reflects a \$0.8 million (1.0%) increase over the proposed FY 2014-15 budget. As shown in **Figure 3**, Personnel and Workorders comprise well over half the expenses in the Operating Budget. Additionally, as shown in **Figure 4**, over the two-year period, Personnel, Other Current Expenses and Annual Projects are the primary drivers of expenditure growth in the Operating Budget.

Figure 3: FY 2014-15 Major Expenditure Categories.

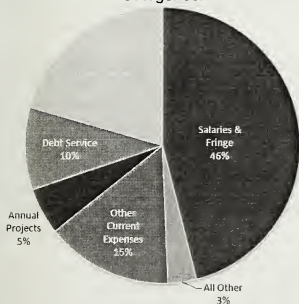


Figure 4: Percentage of Growth, by Major Area FY 2014-15 through FY 2015-16

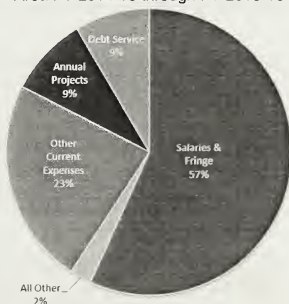


Table 7: Summary of Port Operating Expenditures & Annual Projects

	Budget 2013-14	Proposed 2014-15	Change from Budget 2013-14		Proposed 2015-16	Change from Proposed 2014-15	
			Amount	Percent		Amount	Percent
Salaries & Benefits	\$33,828,564	\$35,828,796	\$2,000,232	5.9%	\$36,059,809	\$ 231,013	0.6%
City-wide Overhead	315,652	315,652	-	0.0%	315,652	\$ -	0.0%
Other Current Expenses	10,671,265	11,557,701	886,436	8.3%	11,584,582	\$ 26,881	0.2%
Materials and Supplies	1,439,598	1,522,660	83,062	5.8%	1,536,362	\$ 13,702	0.9%
Capital Outlay (Equipment)	477,421	768,184	290,763	60.9%	855,856	\$ 87,673	11.4%
Annual Projects	4,270,466	4,308,806	38,340	0.9%	4,622,722	\$ 313,916	7.3%
Debt Service	7,089,872	7,525,228	435,356	6.1%	7,424,036	\$ (101,192)	-1.3%
Interdept. Workorders	16,623,371	16,219,680	(403,691)	-2.4%	16,403,832	\$ 184,152	1.1%
Interdept. Recoveries	(173,228)	(173,228)	-	0.0%	(173,228)	\$ -	0.0%
Total Expenditures	\$74,542,981	\$77,873,479	\$3,330,498	4.5%	\$78,629,624	\$ 756,145	1.0%

The specific trends behind the expenditure changes in the FY 2014-15 and FY 2015-16 budgets are described below.

Salaries and Fringe Benefits

One of the Port's greatest assets is its staff, which comprises approximately 46 percent of all costs in the operating budget. Salary and fringe expenditures increase by a total of \$2.0 million (5.9%) in the FY 2014-15 proposed budget and by an additional \$0.2 million (0.6%) in the FY 2015-16 proposed budget. As detailed below, much of the growth is related to the cost of existing staff, but proposed new and substituted positions also contribute to the additional cost and Full Time Equivalent (FTE) count of personnel in the proposed two-year budget.

Existing Employees – The cost of existing personnel increases by \$1.2 million (1.2%) in the FY 2014-15 proposed budget. This change includes \$0.3 million for salaries due to the wage increases that were included in expiring Memoranda of Understanding. Additionally, a \$0.9 million increase in fringe benefits reflects the cost of replenishing the City's retirement system, which suffered significant losses during the last economic downturn. FY 2014-15 will be the last of a five-year funding effort by all City departments to bring pension funds back up to the estimated requirement to adequately support retired City employees in the future. In FY 2015-16, the cost of existing employees remains flat.

Despite salary and fringe benefit increases that are already reflected in the two-year budget, almost all City labor contracts are currently under negotiation and will likely have an additional fiscal impact. It is too early to predict the terms of any new agreements that will be included in Mayor Lee's Proposed Budget, but the FY 2014-15 and FY 2015-16 budgets each include contingency funding of \$0.3 million to help absorb any additional personnel costs. If the contingency funding is not sufficient, Port staff will work with the Mayor's staff to remove lower priority new or substituted positions that are proposed in the budget to balance the budget. Alternatively, any remaining

contingency funds will be designated to future capital or shifted to other priorities identified during the Board of Supervisors' phase of the budget process.

Proposed Position Changes – The FY 2014-15 and FY 2015-16 proposed budgets include \$0.8 million and \$0.3 million in new salaries and fringe benefit expenses related to new and substituted positions, as detailed in *Attachment I – Proposed Position Changes, FY 2014-15 and FY 2015-16*. The proposed positions increase the Port's current FTE count of 261.74 FTE by 7.56 FTE, including 6.10 FTE in FY 2014-15 and an additional 1.46 FTE in FY 2015-16, for a new total of 269.30 FTE.

While the proposed investments are significant, Port Staff reviewed an extensive backlog of position requests that has limited the Port's ability to seek and protect revenues, operate efficiently, meet strategic goals and address a changing and complex operational environment. Also, in the last several years, the Port has experienced increases in the number of visitors to its properties and anticipates that the number will grow with the opening of the James R. Herman Cruise Terminal. This increase in population and activity along the waterfront has created operational impacts, particularly in the Maintenance Division. The key themes that justify the eight new positions, 13 substitutions and four reassignments detailed in *Attachment I* are:

- *Managing Property & Asset Portfolios*: The Real Estate Division requires additional resources to oversee the Port's assets and lease portfolio and, therefore, protect existing revenue and develop new revenue. To address this need, the budget includes a substitution of an existing project-funded 0922 Manager I position to an Operating Budget-funded position in the Real Estate Division that will manage the Port's asset portfolio and help identify and direct strategic investment in Port infrastructure. The proposed new Asset Manager position will advise the Port on strategic real estate leasing, improvements and positioning of the Port's entire real estate portfolio. The Asset Manager will work closely with the property managers, leasing managers, and Deputy Directors who handle the day-to-day operations of the properties. The Asset Manager will be active in the industry, be and stay knowledgeable of best practices, and advise the Port on how best to position available assets to maximize revenues within the permitted use constraints. The Asset Manager will devise strategies for targeting certain industries/tenants and will closely monitor market trends and advise the Port on how best to implement them.

Also, a new 9395 Property Manager is proposed to provide property management services. The Port has 550 real estate leases outstanding, representing over 20 million square feet and with an average lease expiration rate of 10% (approximately 60 per annum). The most demanding areas for property management are in the northern waterfront, particularly the Fisherman's Wharf area where there is huge density, numerous longtime tenants and a myriad of outdated lease practices and terms. Property managers spend a lot of their time helping the tenants address their needs, keeping them in compliance with the myriad regulations imposed by the City, BCDC and State Lands, assisting them with permits and facilitating property repairs and improvements. Currently, Port property managers are handling a work load that far eclipses their public sector and private sector counterparts.

Each Port Property Manager manages an average of 90 tenants. In comparison, property managers in the private sector typically manage 25 to 30 tenants and often do not have the added renewal/leasing responsibilities held by Port Property Managers. The City's Department of Real Estate manages 60 buildings (4 million square feet) representing 220 tenants with seven property managers. This equates to 34 tenants per property manager. The Airport also employs eight property managers to manage 250 commercial agreements (62 leases per property manager). The Airport employs an additional seven property managers to manage 200 aviation agreements (28 leases per managers). The addition of an additional Port property manager as proposed in the budget reduces the number of tenants managed by each property manager to approximately 78 (which is still three times the workload of the private sector) and helps to increase the Port's processing of customer needs and the generation of revenues.

- *Realigning Maintenance Division Upper Management:* Reorganizing upper-level management of the Maintenance Division will provide the Deputy Director with much needed support and achieve operational efficiencies by realigning reporting structures of Maintenance shops to allow for more oversight and direction. To achieve these goals, the budget proposes a new 0932 Manager IV position in FY 2015-16 to serve as Assistant Deputy Director and a downward substitution of a 0931 Manager III to a 0922 Manager I in FY 2014-15.

The new 0932 Manager IV (Assistant Deputy Director) will oversee all daily operations through four management level direct reports who support 17 crews and over 105 staff employees. With the new position in place, the key functional areas of the Maintenance Division will be realigned under the new 0932 Manager IV (streets and environmental services)⁵, an existing 0931 Manager III (facilities maintenance and operation services)⁶ and the proposed 0922 Manager I (pile work operations) to bring a greater focus on the coordination of Maintenance responsibilities and on the scope of maintenance projects. Additionally, this position will enable the Deputy Director to focus on long-term strategic planning, resource management and organizational development.

The 0922 Manager I will manage the Pile Driving Operation, which includes overseeing five crews and five direct supervisors for the Maintenance Division. This position will focus solely on delivering pile repair projects that are scheduled over the next three years and will work with Port engineers on designing, scoping, costing and scheduling all pile work. By performing work in-house, the pile worker crews have saved the Port several million dollars over the last three years.

⁵ The streets and environmental services unit will keep the Port streets and sidewalks clean while delivering quality services with low adverse impact on the public, visitors, and tenants. This entails performing power washing at a time that the people are not impacted by the spray and performing trash pickup and street curb sweeping when most traffic efficient.

⁶ The facilities maintenance and operation services manager will oversee maintenance and repair services performed by the trade crafts. This consolidation of trade crafts into a single unit provides improved service deliverability through inter-coordination of crafts in multi-craft jobs.

- *Maintenance Division Efficiencies:* Maintenance operations can be improved by 1) substituting one vacant 3417 Gardener to a 7514 General Laborer to diversify the skills and responsibilities of the three-person gardening crew; and 2) adding a new 7215 Laborer Supervisor will enable cleaning of Port property in two shifts. This position will supervise a new night cleaning crew and is essential for ensuring provision of services and accountability.
- *Management of Critical Development and Other Projects:* The proposed FY 2014-15 and FY 2015-16 budgets each include \$175,000 in Temporary Salaries that is allocated between the Executive (\$75,000), Planning & Development (\$50,000) and Maritime (\$50,000) divisions. These as-needed temporary salaries will enable the divisions to hire project managers to direct strategic projects through short- or mid-term phases and processes without committing permanent staff. Examples of projects that may be assigned to temporary staff include oversight of the Port's under-pier utilities repairs, expanding outreach to Local Business Enterprises and specific aspects of moving development projects forward that require additional skill and expertise.
- *Prioritizing Workforce Development:* Every fiscal year the Port invests in workforce development programs, including working with the OEWD/City Build to train crafts that are relevant to the Port. In an effort to place more of a priority on the Port's workforce development, the FY 2014-15 proposed budget includes an upward substitution of a 1244 Senior Personnel Analyst to a 1246 Principal Personnel Analyst to administer the Port's Workforce Development Program, including the overall planning, development, implementation and evaluation of workforce development projects and employment and recruitment programs to meet the needs of the entire San Francisco Waterfront. These constitute new duties assigned to an existing position that necessitates a new job classification.
- *Finance Analytical Requirements:* The Finance Section of the Finance and Administration Division requires additional resources to manage a more voluminous and complicated workload as the Port pursues more long-term financial and capital planning, debt management and new financing tools including Infrastructure Financing Districts (IFD).

To address this need, the budget includes a new 0931 Manager IV to report directly to the Deputy Director of Finance and Administration and oversee all finance functions of the division, including capital and financial planning, debt management, budget, contracts and grants.

Additionally, the budget proposes reassigning one 1822 Administrative Analyst and one 1824 Principal Administrative Analyst from the Special Projects Section of the Executive Division. The 1822 Administrative Analyst will support the budget, grants and contracts functions of the Finance group and the 1824 Principal Administrative Analyst will be responsible for the Ports' Capital Plan and debt management. Additionally, in FY 2015-16 the 1824 Principal Administrative Analyst position is substituted up to an 1825 Principal Administrative Analyst II position to account for

the increasingly complex roles and responsibilities required of the position as the Port moves forward with implementing public financing tools for development projects.

- *Reflecting Outcomes of Job Analysis:* The budget includes four position substitutions in FY 2014-15 resulting from job analyses performed by Human Resources staff, pursuant to Civil Service rules, that determined that different job classifications are more appropriate for the positions' associated duties and responsibilities. One critical example is the substitution of the Chief Harbor Engineer from an 0941 Manager VI to an 0953 Deputy Director IV; the position's oversight of critical revenue-generating infrastructure and responsibility for ensuring the safety of Port tenants and the public warrants the higher level classification. The other substitutions that fall under this category include the upward substitutions of an 1842 Management Assistant to an 1822 Administrative Analyst, a 5174 Administrative Engineer to a 5211 Senior Engineer and a 1446 Secretary II to a 1450 Executive Secretary II.
- *Other Budgetary Clean-Up:* The budget includes substitutions of three positions to reflect the job classifications that they are filled by. Additionally, one position is adjusted from part-time to full-time to reflect the full-time nature of the position.

Other Operating Expenses

Other Current Expenses – The budget for Other Current Expenses increases by \$0.9 million (8.3%) in FY 2014-15, but is flat in FY 2015-16. One of the major elements of growth in FY 2014-15 is \$0.3 million of funding in the Finance & Administration Division for new banking credit card fees that were previously an offset to revenue, software expenses, and \$60,000 to replace the audio/visual system in the Port Commission Room. Additionally, a \$0.3 million increase for Maintenance and Janitorial Services will be utilized for portable toilet and wash station rentals, janitorial and security services disbursed through the Port's portfolio. Utilities services provided by the Public Utilities Commission are also projected to increase by \$0.1 million.

Capital Outlay, Equipment – Funding for Equipment increases by \$0.3 million (60.9%) in FY 2014-15 and an additional \$0.1 million (11.4%) in FY 2015-16. Specific requests from divisions for FY 2014-15 include replacement vehicles in the Finance & Administration Division (two sedans) and the Maintenance Division (three trucks), in accordance with the Port's Fleet Management Plan filed with the City. Additionally, the Maintenance Division requests two drivable sidewalk power washers and one Pile Shear and the Finance and Administration Division requests replacement equipment for ongoing maintenance of Information Technology infrastructure.

The FY 2015-16 proposed budget includes requests for replacement vehicles in the Finance & Administration Division (two sedans) and Maintenance Division (six trucks), in accordance with the Port's Fleet Management Plan filed with the City. Additionally, the Maintenance Division requests one chipper and the Finance and Administration

Division requests equipment for ongoing maintenance of Information Technology infrastructure.

Annual Projects – While the budget for Annual projects is relatively unchanged in FY 2014-15, expenditures increased by \$0.3 million (7.3%) in FY 2015-16 to fund new projects in the Maintenance Division for annual tree maintenance (\$0.1 million) and a one-time project to install Big-Belly trash and compost receptacles along the Waterfront (\$0.2 million). Notably, the budget in both fiscal years includes \$1.0 million for Information Systems (IS) projects that are being identified through an IS Strategic Plan.

Debt Service – Debt Service payments increase by \$0.4 million (6.1%) in FY 2014-15 and then decrease by \$0.1 million (-1.3%) as part of the payment schedule for the Port's debt portfolio, including the 2014 Port Revenue Bonds to be issued and the 2013 Certificates of Participation.

Workorder Payments – Funding for Workorder Payments decreases by \$0.4 million (-2.4%) in FY 2014-15 and increases by \$0.2 million (1.1%) in FY 2015-16.

Table 8: Summary of Interdepartmental Workorders

	Budget 2013-14	Proposed 2014-15	Change from Budget 2013-14		Proposed 2015-16	Change from Proposed 2014-15	
			Amount	Percent		Amount	Percent
MTA Meter Collections	1,223,000	1,295,500	72,500	5.9%	1,129,000	\$ (166,500)	-12.9%
MTA Traffic Enforcement	887,713	1,041,713	154,000	17.3%	1,081,713	\$ 40,000	3.8%
Police Security	628,637	522,104	(106,533)	-16.9%	527,138	\$ 5,034	1.0%
Insurance & Risk	2,348,469	2,462,341	113,872	4.8%	2,581,800	\$ 119,459	4.9%
City Attorney Services	2,859,022	1,890,000	(969,022)	-33.9%	1,950,600	\$ 60,600	3.2%
Fire Protection	3,340,843	3,406,530	65,687	2.0%	3,412,813	\$ 6,283	0.2%
Workers Compensation	850,000	900,000	50,000	5.9%	925,000	\$ 25,000	2.8%
PUC Utilities	1,217,715	1,405,865	188,150	15.5%	1,438,308	\$ 32,443	2.3%
<u>All other Departments</u>	<u>3,267,972</u>	<u>3,295,627</u>	<u>27,655</u>	<u>0.8%</u>	<u>3,357,460</u>	<u>\$ 61,833</u>	<u>1.9%</u>
Total Interdept. Workorders	16,623,371	16,219,680	(403,691)	-2.4%	16,403,832	\$ 184,152	1.1%

The notable changes include:

- In FY 2014-15 the Municipal Transportation Agency (MTA) workorder for meter collections increases by \$0.1 million (5.9%) and then declines in FY 2015-16 by \$0.2 million (-12.9%) as part of a two-year plan to replace the existing IPS meters and install new meters in the Southern Waterfront.
- Workorder payments to MTA for traffic enforcement increase by \$0.2 million (17.3%) in FY 2014-15 and remain flat in FY 2015-16. The increase will allow for additional parking enforcement shifts and reflects current trends in revenue collections from enforcement activities.
- Workorder funding to the Police Department for security services decreases by \$0.1 million (-16.9%) in FY 2014-15 and remains flat in FY 2015-16.

- Insurance & Risk costs increase by \$0.1 million (4.8%) in FY 2014-15 and increase by \$0.1 million (4.9%) in FY 2015-16 as a result of the additional coverage required after the Pier 29 fire in 2012.
- In FY 2014-15 \$1.0 million (33.9%) of City Attorney workorder funding shifts to the Development Project budget to reflect time spent by attorneys on development work. The remaining \$1.9 million budget reflects an estimate of time the City Attorney will spend on other Port matters. Overall, funding for the City Attorney workorder is \$3.3 million in each fiscal year, which is a \$0.4 million (13.8%) increase from prior year funding to reflect historical spending. Of these costs, the budget assumes that \$1.5 million will be reimbursed by developers.
- The Public Utilities Commission workorder increases by \$0.2 million (15.5%) in FY 2014-15, but remains relatively flat in FY 2015-16, as a result of utility rate increases and projected usage.

OTHER PROJECT EXPENDITURES

The budget includes funding for projects that have direct funding sources and that are intended for specific activities.

Development Project (NEW) – Based upon projected spending for FY 2014-15 and FY 2015-16, the budget includes \$4.2 million funding each fiscal year for transaction costs related to Development Projects including the Warriors Pavilion at Piers 30-32, the Forest City and Orton Development projects at Pier 70, Mission Rock at Sea Wall Lot 337 and 8 Washington. The Port has recovered and will be able to continue to recover future transaction costs from developers. In FY 2014-15 and FY 2015-16, these expenditures are fully offset by \$4.2 million of reimbursements from developers.

South Beach Harbor – Operating expenses for South Beach Harbor are \$4.4 million in FY 2014-15, a \$0.1 million (1.8%) increase, and \$4.5 million in FY 2015-16, a \$0.1 million (1.6%) increase. The budgets fund personnel, non-personnel, debt service and some capital expenses. The proposed budget may be adjusted to reflect a July 1, 2014 transfer, subject to future Port Commission, OCII and Oversight Board approval.

CAPITAL EXPENDITURES

The Proposed FY 2014-15 and FY 2015-16 Capital Budgets are each \$12.8 million, a \$1.2 million (-8.6%) decrease from FY 2013-14. Additionally, Port staff recommends reallocating \$5.2 million of existing Port Capital and 2013 Certificates of Participation funds from previously approved projects to other higher priority projects. This brings total capital fund spending to \$18.0 million in FY 2014-15.

Capital Process

Over the past several months the Capital Plan Working Group (Working Group), comprised of key Port staff from all Port divisions, reviewed and scored capital project funding requests submitted by the Port's divisions using the scoring criteria developed for the ten-year capital plan. The proposed two year Capital Budget reflects those capital projects that scored the highest, and for which there was no or insufficient third party funding available. The proposed list of capital projects and recommended funding levels were submitted to the Port's Executive Director for adjustment and final approval before submission to the Port Commission for its review and comment.

The Working Group used the following criteria to determine which projects to recommend to the Port Commission for funding:

- (i) Addresses a safety, health, code, or regulatory issue or threat to the environment;
- (ii) Significantly reduces potential liability to the Port;
- (iii) Promotes commerce, navigation or fisheries;
- (iv) Attracts people to the waterfront;
- (v) Promotes natural and cultural resources;
- (vi) Preserves existing Port revenues; and
- (vii) Generates additional revenues for the Port.

Proposed Project Funding

As detailed in *Attachment II – Capital Project Proposed Funding for FY 2014-15 and FY 2015-16*, the proposed FY 2014-15 and FY 2015-16 Capital Budgets includes \$12.8 million each year for the following projects.⁷

Maintenance of Existing Systems:

- The Port's maintenance dredging program;
- Water and sewer utility repairs under the Port's piers;
- Pier structures and utility infrastructure repairs at Port facilities;
- Repairs, upgrades and replacement of elevators and escalator systems located in various Port facilities;
- Capital improvements needed to assist the marketing and leasing of Port facilities, including needed repairs to the restrooms at the Port's Pier 26, 28, and 50 facilities; and
- Emergency capital funding.

⁷ Short descriptions of each of the projects are on file with the Port Commission Secretary.

Maritime-Specific Infrastructure:

- Repairs to the railroad switches and track of the Port's rail system located in the Southern Waterfront;
- Upgrades and repainting the cranes at the Port's Pier 80 cargo terminal;
- Repairs to the floating dock and electrical systems at Hyde Street Harbor; and
- Repairs to and an overhaul of the floats at the Port's ferry terminals.

Preparation for New Development and Securing External Sources:

- An environmental impact report of the Port's Southern Waterfront to address potential new uses and development opportunities for the area;
- An initial phase of a comprehensive study of the condition of the Port seawalls and marginal wharfs, their capacity to withstand seismic events, and needed improvements to address sea level rise; and
- Homeland security improvements throughout the Port that will also serve as a match to federal grant funding.

Other Commitments and Requirements:

- Improvements to certain Port facilities to make them more accessible to the disabled including curb ramp improvements and Americans with Disabilities Act (ADA) repairs and upgrades to doors at various Port facilities;
- Open space and alternative energy projects that meet guidelines outlined in the Port's lease agreement with Transbay Cable; and
- Greening and beautification projects at sites located in the southern waterfront in accordance with the Southern Waterfront Community Benefits and Beautification policy adopted by the Port Commission in November, 2007.

Additionally, the proposed two-year Capital Budget includes funding for a capital project to address the capital repair needs of the Port's pier substructures and superstructures that are located within the Port's Embarcadero historic district. Proposed funding from this Capital Budget, combined with funding from the Port's upcoming issuance of Port revenue bonds, will principally be used for repairs needed for the re-leasing of the former AC34 venue sites to the America's Cup Event Authority for a 35th America's Cup and/or to other tenants.

Funding proposed for the Port's pier structures repair project will be primarily used for repairs to the seawalls at Pier 43 and Wharf J9, critical repairs to Wharves J7&8, repairs to the storm drain and outflow system at Pier 94/96, fender replacement at Pier 15/17, and funding for a second pile driving crew that has been hired to help the Port work through its current backlog of pier repair projects. A significant portion of the proposed funding for the utility project will be used for repairs to and certification of the Port's fire protection systems, along with repairs to the under pier utilities at Wharf J1.

Reallocation of Previously Approved Funding

In addition to the new capital funding proposed above, Port staff recommends reallocating \$5.23 million of previously approved appropriated funding to projects that meet current Port capital priorities, as indicated below:

Table 9: Reallocation of Previously Approved Capital Project Funding

<i>Port Capital</i>	<i><u>Current</u></i>	<i><u>Proposed</u></i>
- Port Waterfront Support Assets	\$1,845,078	\$0
- <u>Additional Funding for Pier Structures Repairs</u>	<u>0</u>	<u>1,845,078</u>
Port Capital Totals	\$1,845,078	\$1,845,078
<i>City Certificates of Participation</i>		
- AC43 Improvements (project savings)	\$3,389,497	\$0
- Public Restroom Improvements	0	1,157,500
- Amador St. Sewer Main/Roadway Improvement	0	464,000
- <u>Pier Structures Repairs</u>	<u>0</u>	<u>1,767,997</u>
City Certificates of Participation Totals	\$3,389,497	\$3,389,497

In the FY 2005-06 and FY 2012-13 capital budgets, the Port Commission approved a total of \$2.0 million in funding for the maintenance, overhaul or replacement of the Port's vessels and other waterfront support equipment. Funds were included for the purchase of a new pile driving rig and an attachment for a vibratory pile driver extractor. It has now been determined that procurement of the new pile driving rig will not occur within the next two year period. As a result, Port staff proposes reallocating \$1.9 million of the remaining project funds to the Port's pier structures repair project. This reallocation will provide added flexibility for the Port to address other critical pier repair needs, if needed. Funds from the pier repair project, however, can be used for the purchase of the pile-driving rig should the timing change.

Additionally, as reported to the Port Commission at its September 24, 2013 meeting, the Port has \$3.4 million in savings from the \$4.0 million originally appropriated for public access improvements related to AC34. Port staff recommends reallocating the project savings to the following projects: i) Public Restrooms Improvements for the construction of public restrooms at the Pier 27 Northeast Wharf plaza, and at one site in Fisherman's Wharf; ii) Amador St. Sewer Main/Roadway Improvement project for design work for the Amador Street sewer main and roadway improvements; and (iii) the Pier Structures Repair project for repairs and improvements to the aprons at Pier 19 North and Pier 23 South in order to allow for public access.

ALIGNING STRATEGIC INITIATIVES THROUGH THE OPERATING AND CAPITAL BUDGET

The Port's 150th Anniversary allowed staff and the public to look back upon and appreciate the Port of San Francisco's past. This budget proposal reflects an effort to strategically shape the Port and the Waterfront for the future.

While the revenue projections are strong and reflect a strengthening economy, Port staff recognizes that it is imperative to control operating expenditures to ensure adequate resources can be directed to fund capital needs. As a result, this budget proposal aims to limit expenditure growth to 3 percent of FY 2012-13 actual expenditures, except for those instances where additional investments allow for operational efficiencies or address strategic needs. An example of these investments is an additional \$0.3 million for Port-wide and marketing strategic plans. Additionally, each fiscal year includes \$1.0 million placeholders for Information Services (IS) projects that are currently being assessed through an IS strategic plan. The aim of the plan and the resulting projects are to ensure that the Port's IS systems and staff sustainably support the business goals of the Port and are aligned with Citywide IS infrastructure and planning. Additionally, the budget includes new and substituted positions that are intended to protect revenue, create operational efficiencies and/or address the complex needs of the Port's finances.

Importantly, the budget also includes valuable investments in capital projects, including a new \$4.2 million development project budget that will be recovered through developer reimbursements and reflects the planned large scale developer investment. It also exceeds the Port's Designated for Capital Policy by directing greater than 20 percent of Operating Revenues to the Capital Budget in both budget years.

NEXT STEPS

Comments, input and feedback from the Port Commission and the public are welcomed and appreciated. Port staff will continue to fine-tune the budget components and return to the Port Commission for final review and approval of this biennial budget at the February 25, 2014 meeting. Following Port Commission approval, staff will submit the budget to Mayor Edwin Lee's Budget Office for inclusion in the Mayor's Proposed Budget to the Board of Supervisors in May 2014. The Board of Supervisors will then review and finalize the FY 2014-15 and FY 2015-16 budgets by August 1, 2014.

Pursuant to City Policy, the Port is preparing its two-year budget for FY 2014-15 and FY 2015-16. Although the second year of the budget will be fixed upon adoption this summer, Port staff may bring a supplemental appropriation to the Port Commission, Mayor and Board of Supervisors in 2015 if there are new sources and a need to increase operating or capital spending in FY 2015-16 that staff cannot foresee at this time. Otherwise, staff will work within the approved funding resources and focus entirely on updating the Port's Five Year Financial Plan next year.

CONCLUSION

The Port's proposed FY 2014-15 and FY 2015-16 Biennial Operating and Capital Budgets reflect a \$10.5 million (10.0%) increase in the first year and a \$5.0 million (4.3%) increase in the second year. While Operating Expenditures are growing moderately, the primary growth in the budget is due to the inclusion of a new development project budget and considerable Designations to Future Capital. These items are supported by developer reimbursements and growth in Operating Revenues, particularly in Cruise, Parking and Commercial/Industrial Rents derived from opening the new James R. Herman Cruise Terminal and re-leasing AC34 venue sites.

Prepared by: Meghan Wallace, Budget Manager
Finance and Administration

and

Lawrence Brown, Financial Analyst
Finance and Administration

For: Elaine Forbes, Deputy Director
Finance and Administration

Attachments

- I. Proposed Position Changes, FY 2014-15 and FY 2015-16
- II. Capital Projects Proposed Funding, FY 2014-15 and 2015-16

**ATTACHMENT I –
Proposed Position Changes, FY 2014-15 and FY 2015-16**

Job Class & Title	FTE	FY 2014-15	FTE	FY 2015-16
<i>New Positions</i>				
0932 Manager IV	NA	NA	1.00	\$157,723
(Maintenance) This position will serve as the new Assistant Deputy Director to the Deputy Director of Maintenance, providing an additional level of managerial support to the entire division.				
0931 Manager III	0.77	\$147,577	1.00	\$192,842
(Finance & Administration) This position will oversee the Finance functions of the Finance and Administration Division, including the consolidated oversight of capital and financial planning, management of debt, contracts and grants.				
9395 Property Manager	0.77	\$168,884	1.00	\$170,265
(Real Estate) An additional property manager will help the Real Estate Division to more efficiently oversee leases of Port property and improve customer service.				
7215 Laborer Supervisor	0.77	\$80,115	1.00	\$103,841
(Maintenance) This position will serve as the second supervisor of crew to allow for new night shift and full efficiency of the crew.				
1842 Management Assistant	0.50	\$58,032	0.50	\$57,875
(Executive – Communications) Add additional funds to reflect the full time assignment and salary of the filled position. Duties include assisting the Port's Communications Director with public records requests, subpoenaed documents, marketing strategies, promotions and maintaining the department's website.				
Temporary Salaries	0.50	\$53,950	0.50	\$53,960
(Planning & Development) Additional Temporary Salaries will allow for additional management and oversight of development projects.				
Temporary Salaries	0.50	\$53,950	0.50	\$53,960
(Maritime) Additional Temporary Salaries will allow for additional management and oversight of maritime expansion.				

Job Class & Title	FTE	FY 2014-15	FTE	FY 2015-16
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New Positions (Continued)

Temporary Salaries	0.88	\$80,926	0.88	\$80,941
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(Executive – Special Projects) Additional Temporary Salaries will allow for additional management and oversight of special projects such as oversight of the Port's underpier utilities repair projects.

Substitutions

0922 Manager I (Project)	-1.00	-\$168,884	-1.00	-\$170,265
<u>0922 Manager I (Operating)</u>	<u>1.00</u>	<u>\$168,884</u>	<u>1.00</u>	<u>\$170,265</u>
<i>Change</i>	<i>0.00</i>	<i>\$0</i>	<i>0.00</i>	<i>\$0</i>

(Real Estate) This position will be converted from a project-funded position to a new Asset Manager for the Real Estate Division.

1842 Management Assistant	-0.77	-\$89,376	-1.00	-\$115,747
<u>1822 Administrative Analyst</u>	<u>0.77</u>	<u>\$96,250</u>	<u>1.00</u>	<u>\$124,625</u>
<i>Change</i>	<i>0.00</i>	<i>\$6,883</i>	<i>0.00</i>	<i>\$8,878</i>

(Real Estate) This position classification reflects new responsibilities for revenue analysis that the position has been performing during recent fiscal years, including forecasting and managing revenue generation from the Port's meter program. The reclassification complies with Civil Service rules.

5174 Admin. Engineer	-0.77	-\$152,204	-1.00	-\$196,790
<u>5211 Senior Engineer</u>	<u>0.77</u>	<u>\$162,646</u>	<u>1.00</u>	<u>\$210,247</u>
<i>Change</i>	<i>0.00</i>	<i>\$10,442</i>	<i>0.00</i>	<i>\$13,457</i>

(Engineering) This position classification reflects the many duties and tasks that are required of the position and that are greater than those of an Administrative Engineer. Such skills include directing, supervising and coordinating design reviews & construction of complex engineering/architectural/landscape architecture projects; planning, organizing and directing the administration and management of contracts; and directing, supervising and reviewing the preparation of complex construction contracts & construction documents. This reclassification complies with Civil Service rules.

Job Class & Title	FTE	FY 2014-15	FTE	FY 2015-16
Substitutions (Continued)				

5201 Jr. Engineer	-1.00	-\$97,999	-1.00	-\$126,941
<u>5203 Assistant Engineer</u>	<u>1.00</u>	<u>\$109,425</u>	<u>1.00</u>	<u>\$141,674</u>
Change	0.00	\$11,426	0.00	\$14,733

(Engineering) Reflects salary progression that is negotiated in the Memorandum of Understanding (MOU) for this classification. The incumbent has performed successfully and progressed through the compensation steps of the 5201 position and is entitled to the compensation steps of the 5203 position.

0941 Manager VI	-0.77	-\$178,538	-1.00	-\$232,743
<u>0953 Deputy Director IV</u>	<u>0.77</u>	<u>\$200,470</u>	<u>1.00</u>	<u>\$261,010</u>
Change	0.00	\$21,932	0.00	\$28,267

(Engineering) Upgrade to meet skill requirement of a Chief Harbor Engineer. The duties of the Chief Harbor Engineer are at the level of a Deputy Director IV. The position is currently under recruitment.

1446 Secretary II	-0.77	-\$77,090	-1.00	-\$99,914
<u>1450 Executive Secretary II</u>	<u>0.77</u>	<u>\$83,068</u>	<u>1.00</u>	<u>\$107,624</u>
Change	0.00	\$5,978	0.00	\$7,710

(Planning & Development) This position classification reflects increased and more complex workload. This reclassification is consistent with Civil Service rules.

1450 Executive Secretary II	-1.00	-\$107,881	-1.00	-\$107,624
<u>5277 Planner I</u>	<u>1.00</u>	<u>\$107,535</u>	<u>1.00</u>	<u>\$107,342</u>
Change	0.00	-\$346	0.00	-\$282

(Planning & Development) This position classification reflects the actual duties of this position. This reclassification is consistent with Civil Service rules.

1244 Sr. Personnel Analyst	-0.77	-\$114,876	-1.00	-\$148,636
<u>1246 Princ. Personnel Analyst</u>	<u>0.77</u>	<u>\$133,754</u>	<u>1.00</u>	<u>\$172,942</u>
Change	0.00	\$18,878	0.00	\$24,306

(Finance & Administration) This position classification reflects increased duties and responsibilities related to administering the Port's Workforce Development program, including the overall planning, development, implementation and evaluation of workforce development projects and employment and recruitment programs to meet the needs of the entire San Francisco Waterfront. The reclassification complies with Civil Service rules.

Job Class & Title	FTE	FY 2014-15	FTE	FY 2015-16
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Substitutions (Continued)

1824 Princ. Admin. Analyst	NA	NA	-1.00	-\$163,403
1825 Princ. Admin. Analyst II	<u>NA</u>	<u>NA</u>	<u>1.00</u>	<u>\$176,992</u>
<i>Change</i>	NA	NA	0.00	\$13,589

(Finance & Administration) This position classification reflects increased complexity of work assignments for the Port's Capital Plan, debt management, and administration of IFD and other public financing tools.

0931 Manager III	-1.00	-\$191,658	-1.00	-\$192,842
0922 Manager I	<u>1.00</u>	<u>\$168,884</u>	<u>1.00</u>	<u>\$170,265</u>
<i>Change</i>	0.00	-\$22,774	0.00	-\$22,577

(Maintenance) Downgrade and reassignment of supervision to reflect reduced duties and responsibilities as a result of adding a new Assistant Deputy Director (0932) position to the division's organizational structure. This reclassification is consistent with Civil Service rules.

1426 Sr. Clerk Typist	-1.00	-\$92,004	-1.00	-\$91,859
1406 Sr. Clerk	<u>1.00</u>	<u>\$84,825</u>	<u>1.00</u>	<u>\$84,730</u>
<i>Change</i>	0.00	-\$7,179	0.00	-\$7,129

(Maintenance) This position substitution reflects actual duties of this position. This reclassification is consistent with Civil Service rules.

3417 Gardener	-1.00	-\$98,074	-1.00	-\$97,912
7514 General Laborer	<u>1.00</u>	<u>\$95,210</u>	<u>1.00</u>	<u>\$95,068</u>
<i>Change</i>	0.00	-\$2,864	0.00	-\$2,844

(Maintenance) This position substitution changes the job classification of the (vacant) position to diversify skills and responsibilities of the three-staff gardening crew.

1024 IS Admin. Supervisor	-0.77	-\$122,917	-1.00	-\$159,070
5502 Project Manager I	<u>0.77</u>	<u>\$133,237</u>	<u>1.00</u>	<u>\$172,343</u>
<i>Change</i>	0.00	\$10,320	0.00	\$13,273

**ATTACHMENT II –
Capital Projects Proposed Funding,
FY 2014-15 and FY 2015-16**

	<u>Proposed Funding FY 2014-15</u>	<u>Proposed Funding FY 2015-16</u>	<u>Proposed Two Year Funding Total</u>
Port Capital Funding (5P-AAA-ACP)			
Northeast Waterfront:			
Marina Repair and Upgrade Project	350,000	0	350,000
N. Waterfront Historic Pier Structures Repair Project	0	900,000	900,000
Southern Waterfront:			
Pier 80, 92, 96 Rail Track Maintenance and Upgrade Project – Additional Funding	0	430,000	430,000
Southern Waterfront Greening/Beautification Improvements – Additional Funding	150,000	314,200	464,200
Southern Waterfront Open Space Enhancements/Alternative Energy – Additional Funding	550,000	550,000	1,100,000
Container Crane Painting and Upgrade Project	0	300,000	300,000
Pier 70 Historic Core Repairs, Improvement & Building Stabilization Project – Additional Funding	0	400,000	400,000
Portwide Projects:			
Emergency Capital Project Fund – Additional Funding	84,000	89,000	173,000
Dredge Materials Testing FYs 2014-15 & 2015-16 Program	500,000	500,000	1,000,000
Maintenance Dredging FYs 2014-15 & 2015-16 Program	3,681,000	4,864,000	8,545,000
Pre-Development Studies – Additional Funding	525,000	0	525,000
Port ADA Transition Plan – Additional Funding	100,000	0	100,000
Utilities Project – Additional Funding	910,000	100,000	1,010,000
Leasing Capital Improvement Project – Additional Funding	200,000	0	200,000
Pier Structures Repair Project, Phase II – Additional Funding	4,450,000	2,627,800	7,077,800
Homeland Security Enhancements – Additional Funding	250,000	250,000	500,000
Ferry Terminal Float Repairs - Additional Funding	300,000	615,000	915,000
Port Elevator/Escalator Upgrade Repair & Replacement Proj	0	610,000	610,000
Underpier Utility Repairs	250,000	250,000	500,000
Port Seawall Study & Improvements	500,000	0	500,000
Total Proposed Project Funding	\$12,800,000	\$12,800,000	\$25,600,000

ATTACHMENT II (Continued)

**Capital Projects
Proposed Reallocations in FY 2014-15 of
Previously Approved Capital Funding**

	<u>Currently Approved</u>	<u>Proposed Funding</u>
Port Capital Funding (5P-AAA-ACP)		
Port Waterfront Support Assets	\$1,845,078	\$0
Pier Structures Repairs - Additional Funding	0	1,845,078
Port Capital Totals	\$1,845,078	\$1,845,078
City Certificates of Participation Funding (5P-CPF-12A)		
AC34 Improvements	\$3,389,497	\$0
Public Restroom Improvements	0	1,157,500
Amador Street Forced Sewer Main and Roadway Improvements	0	464,000
Pier Structures Repair Project	0	1,767,697
City Certificates of Participation Totals	\$3,389,497	\$3,389,497
Proposed Capital Project Reallocations From All Sources	\$5,234,575	\$5,234,575



MEMORANDUM

February 7, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Request Approval of a Second Amendment to the Exclusive Negotiation Agreement with GSW Arena LLC, for the lease and development of Piers 30-32 bounded by the Embarcadero roadway and San Francisco Bay, and the sale or lease and development of SWL 330 bounded by the Embarcadero roadway, Beale and Bryant Streets

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Introduction

GSW Arena LLC ("GSW"), a wholly owned subsidiary of GSW Sports LLC and an affiliate of the entity that owns the Golden State Warriors basketball team (the "Warriors"), wishes to build a multi-purpose event venue with seating capacity of approximately 18,000 and related facilities (the "Project") on Piers 30-32 and Seawall Lot 330.

On November 12, 2013, GSW presented Version 3.0 of its proposed design of Piers 30-32 to the Port Commission. Version 3.0 responds to comments from City staff, staff of the San Francisco Bay Conservation and Development Commission, and the public, and will serve as the basis for ongoing environmental review of the Project.

In order to allow sufficient time for environmental review of the Project and to allow for maximum public input, City staff is seeking amendments to the Exclusive Negotiation Agreement ("ENA") with GSW to, among other things, amend the Performance Benchmarks to extend the period to entitle the Project and execute transaction documents from June 2014 to June 2015. The revised Project schedule now contemplates opening the facility in time for the 2018 basketball season, a year later than previously planned.

THIS PRINT COVERS CALENDAR ITEM NO. 9A

Background

From June 12, 2012 through August 23, 2012, the Board of Supervisors and the Port Commission have adopted a series of resolutions related to the Project:

- finding that a potential real estate transaction with GSW to rehabilitate Piers 30-32 would generate substantial public benefits for the City, including its Port;
- endorsing sole source negotiations with GSW;
- urging that the proposed Project is designed with maximum public input; and
- urging the Port Commission to form a project-specific advisory group to review and provide input on the proposed Project.

On August 14, 2012, the Port Commission adopted Resolution 12-61, authorizing the Executive Director or her designee to execute the ENA, and the Port and GSW executed the ENA as of August 15, 2012.

On November 13, 2012, the Port Commission adopted Resolution No. 12-89 authorizing the execution of a First Amendment to Exclusive Negotiation Agreement to: 1) add a new Performance Benchmark for negotiation of a non-binding conceptual framework that serves as the basis for the Board of Supervisors' fiscal feasibility determination under Chapter 29; and 2) extend the Target Dates and the Performance Dates for the Performance Benchmarks relating to the Port Commission's and the Board Supervisors' endorsement of the Term Sheet.

The ENA was subsequently amended by letter agreements dated as of April 12, 2013 and October 10, 2013, to extend Target Dates and Performance Dates for Performance Benchmarks as provided in Section 3.2 of the ENA.

Piers 30-32 Design Version 3.0

GSW proposes to create a new regional serving waterfront attraction in San Francisco on Piers 30-32 that will include an approximately 18,000 seat multi-purpose event venue useable for public assembly uses and other events, including, but not limited to, conventions, Warriors home games, cultural events, family shows and performing arts, public open space, maritime uses, and regional visitor-serving retail, restaurants and entertainment. GSW unveiled its Version 3.0 of the proposed design for the Piers 30-32 portion of the Project at the November 12, 2013 Port Commission meeting. Table 1 below shows the proposed program for Piers 30-32.

Major changes to the Project in Version 3.0 included:

- A reduction in heights for both the multi-purpose venue and elevated portions of the open space;
- An increase in the overall amount of open space;

- A new, mid-block garage entrance to the facility; and
- A significant redesign of the retail facilities along the Embarcadero.

Table 1 below shows the revised program for Piers 30-32.

Table 1: Piers 30-32 Proposed Program

Project Component	Characteristic
Piers 30-32	
Event Center Basketball Seating Capacity	18,064 seats
Size (GSF)	
Event Center	694,944
Event Hall	25,946
Retail Buildings	
Retail	90,000
Services	13,172
SFFD Fire House	18,143
Parking and Loading	234,411
Red's Java House	<u>1,820</u>
Total Building Area	1,078,436 GSF
Addition/Removal of Piers 30-32 Deck	
Addition	+1,139
Removal	<u>-16,939</u>
Net Change	-15,800 GSF
New Dock Facilities at Piers 30-32	
Water Taxi Dock	<u>+3,280</u>
Net Change	+3,280 GSF
Height/Levels	
Event Center	125 feet
Retail Buildings	30 to 55 feet/ 1 to 3 levels
SFFD Fire House	28.0 feet / 2 levels
Parking	28.0 feet / 3 levels
Parking Spaces	500
Vehicular Access	one midblock access point on The Embarcadero
Open Space	7.65 acres (60% GSF of total Piers 30-32 site)
Red's Java House (existing)	Relocated to southwest corner of Piers 30-32
Maritime Uses	north side: SFFD fire boat berth; water transportation dock east side: berthing for deep water vessels

SOURCE: Strada Investment Group, Snohetta, Manica Architecture, BAR Architects. 2013

NOTE: Heights measured from project datum.

Table 2 below shows the evolution of the Piers 30-32 program since Version 1 of the design:

Table 2: Comparison of Piers 30-32 Designs

	Version 1.0	Version 2.0	Version 3.0	V2.0 vs. V3.0 Variance
Pavilion Height	135 feet	125 feet	110 ft @ façade, 125 ft @ arena roof	-
Pavilion Size	771,000 GSF	728,000 GSF	695,000 GSF	(33,000 GSF)
Pavilion Seating Capacity	Up to 19,000	18,000	18,064	+64
Total Open Space Area	50% of site 6.3 acres	53% of site 6.7 acres	60% of site 7.6 acres	+7 ppt +0.9 acres
Open Space at Pier Level	3.2 acres	3.3 acres	3.9 acres	+0.6 acres
NW Corner Plaza	-	-	✓	✓
Bike Valet Spaces	-	300	300	-
Retail Size	105,000 GSF	90,000 GSF	90,000 GSF	-
Event Plaza Height	35 feet	37 feet	28 feet	(9 feet)
NE Plaza Height	55 feet	55 feet	37 feet	(18 feet)
Max. Height of Embarcadero Retail	60 feet	55.5 feet	57 feet	+1.5 feet
Parking Spaces	630	500	500	-
Deep Water Berth Provided	-	✓	✓	✓
Public Ramp Around Pavilion	-	✓	✓	✓
Exhibition Hall	-	-	✓	✓
Net Pier Deck Removal	4,700 SF	-	15,800 SF	+15,800 SF

Note: Heights measured from their respective project datums.

Version 3.0 of the proposed Piers 30-32 design will be the basis for environmental review of the Project.

Seawall Lot 330

Table 3 below shows the current planned program for Seawall Lot 330.

Table 3: Seawall Lot 330 Proposed Development Program

Project Component	Characteristic
Seawall Lot 330	
Size (GSF)	
Residential	208,844
Retail	29,854
Hotel	178,406
Shared Space	11,447
Parking	<u>106,339</u>
Total Building Area	534,890 GSF
Number of Units/Rooms	
Residential Units	176
Hotel Rooms	227
Height/Levels	
Residential	175 feet / 17 levels
Retail	10 feet* / 1 level
Hotel	105 feet / 11 levels
Parking and Loading	40 feet / 4 levels
Parking Spaces	259
Vehicle Access	two access points, at:
Residential parking	Beale Street
Hotel pick-up/drop-off and parking	Bryant Street

SOURCE: Strada Investment Group, Snohetta, Manica Architecture, BAR Architects, 2013

NOTE: Retail spaces are 20' in height; 10' represents heights for other, non-retail ground floor spaces.

The proposed design for Seawall Lot 330 has not changed since GSW unveiled Version 2.0; Version 2.0 of the Seawall Lot 330 design and a code-compliant variant of the Seawall Lot 330 design that could be built within existing height and bulk requirements for the site are both being analyzed in the environmental review of the Project.

ENA Amendment and Recommendation

The ENA provides that the parties will negotiate a non-binding Term Sheet to be endorsed by the Port Commission and the Board of Supervisors to serve as a summary of the general terms for negotiating the transaction documents.

In order to provide adequate time for environmental review, consideration by state and federal agencies, and maximum public input, GSW and City staff are proposing to extend the outside date for approval of final transaction documents from June 2014 to June 2015. Under this proposal, the term of the ENA (as amended) will expire on June 30, 2015, with an option for GSW to extend the ENA until June 30, 2016, conditioned upon payment of an extension fee of \$25,000.

In order to accommodate the longer entitlement period, GSW and City staff are proposing to:

- Modify the Transaction Costs Budget by adding \$875,000 in cost recovery for City staff, including the City Attorney and outside consultants, to account for an additional year of work on the Project;
- Extend the cost-recovery deferral period for a portion of the FY2013-14 and FY2014-15 Third Party Transaction Costs (shown in Table 4 below) contemplated by the original ENA by one year, originally due on April 1, 2014, to April 1, 2015, as further described below; and
- Require the payment of \$200,000 of the deferred FY2013-14 and FY2014-15 Third Party Transaction Costs by June 30, 2014.

As of this report, GSW has elected to defer payment of approximately \$400,000 in Third-Party Transaction Costs incurred from April 1, 2012 to December 31, 2013. Under the original ENA, these costs would have been due to the Port on April 1, 2014. Under the proposed Second Amendment, GSW would pay \$200,000 of the deferred costs (allowing the Port to close out balances owed from FY 2012-13). Under the proposed Second Amendment, GSW would be able to defer 1) payment of currently deferred costs by one year, until April 1, 2015, and 2) payment of Third-Party Transaction Costs for the third and fourth quarters of FY 2013-14 (estimated at \$300,000) until FY 2014-15.

The result of the additional deferral is that the City will have to wait an additional year to be repaid an estimated \$500,000. Port Finance and Administration staff have determined that the Port has sufficient funds and appropriation authority in the current fiscal year to absorb the proposed Port's share of this deferral, which is estimated to be approximately \$200,000.

The Second Amendment will also allow payment of three quarters of FY 2014-15 Third-Party Transaction Costs on April 1, 2015, but this is not expected to have a material impact on the Port's budget, because payment will be received within the fiscal year.

Table 4: Piers 30/32 GSW Transaction Costs Budget

Transaction Costs¹	<u>FY12-13</u>	<u>FY13-14</u>	<u>FY14-15</u> <u>NEW</u>	<u>Total</u>
OEWD, City Planning staff costs	<u>\$150,000</u>	<u>\$150,000</u>	<u>\$150,000</u>	<u>\$450,000</u>
<i>Sub-Total Transaction Costs</i>	<i>\$150,000</i>	<i>\$150,000</i>	<i>\$150,000</i>	<i>\$450,000</i>
Third-Party Transaction Costs				
EPS	\$160,000	\$200,000	\$100,000	\$460,000
Harder & Co	\$0	\$100,000	\$50,000	\$150,000
Appraiser	\$20,000	\$0	\$0	\$20,000
<u>City Attorney (including outside counsel)</u>	<u>\$600,000</u>	<u>\$575,000</u>	<u>\$575,000</u>	<u>\$1,750,000</u>
<i>Sub-Total Third-Party Transaction Costs</i>	<i>\$780,000</i>	<i>\$875,000</i>	<i>\$725,000</i>	<i>\$2,380,000</i>
Project Budget Total	\$930,000	\$1,025,000	\$875,000	\$2,830,000

The attached resolution authorizes the parties to amend the ENA to, among other things: (1) revise the Target Dates and the Performance Dates for the Performance Benchmarks as shown in Exhibit A, (2) change the expiration date of the ENA from June 30, 2014 to June 30, 2015, with one 1-year extension, and (3) extend the deferral of certain Third-Party Transaction Costs by one year, and (4) amend the Transaction Costs Budget to address costs that will be incurred during the extended term of the ENA. The resolution authorizes the Executive Director or her designee to execute the resulting Second Amendment to the Exclusive Negotiation Agreement in a form approved by the City Attorney. Port staff recommends approval of the resolution.

Next Steps

If the Port Commission approves the attached resolution, the parties will continue to negotiate a Term Sheet, subject to review by the Piers 30-32 Citizens Advisory Committee prior to review and possible endorsement by the Port Commission and the Board of Supervisors.

Prepared by: Brad Benson, Director of Special Projects
Anne Taupier, Project Manager, Office of Economic and Workforce Development

For: Ken Rich, Director of Development,
Office of Economic and Workforce Development
Byron Rhett, Deputy Director of Planning and Development

¹ The original ENA allows GSW, at its option, to defer the payment of all or a portion of the Transaction Costs (shown at the top of Table 4 above) until the Project is fully entitled. Should the ENA be terminated at any time prior to the time the Project is fully entitled, GSW is obligated to pay the Port the lesser of (1) ½ of the actual Transactions Costs incurred or the liquidated sum of \$150,000.

Exhibit A ENA Performance Benchmarks

	Performance Benchmarks	Target Date	Performance Date
1	Developer Formation Documents: Developer must submit a copy of its Operating Agreement and a description of its affiliates and relationship to the Golden State Warriors basketball team.	August 15, 2012	August 31, 2012 *completed*
2	Conceptual Framework: Developer, City and Port to agree on terms of a Conceptual Framework.	November 6, 2012	December 1, 2012
3	Fiscal Feasibility Determination: Board to adopt a resolution making a fiscal feasibility determination under Chapter 29 of the San Francisco Administrative Code.	November 20, 2012	December 1, 2012 *completed*
4	Draft Environmental Impact Report: Publish the draft EIR.	August 21, 2014	October 2, 2014
5	Port Commission Endorsements: Port Commission to adopt a resolution endorsing the Term Sheet.	November 18, 2014	January 13, 2015
6	Board Endorsements: Board to adopt a resolution endorsing the Term Sheet.	December 9, 2014	February 10, 2015
7	Final Transaction Documents: Developer and Port must reach final agreement on the form of LDDA, Lease, Sale Agreement and all related Transaction Documents.	December 2014	April 2015
8	Final EIR Certification: Planning Commission to certify the final EIR for the Project.	January 29, 2015	March 5, 2015
9	Planning Commission Approvals: Developer obtains Planning Commission approval of Planning Code Amendments, General Plan Amendments, Shadow Study, Conditional Use Authorization and other approvals as	January 2015	March 2015
10	Approval of Final Transaction Documents: Port Commission to adopt Public Trust consistency findings and approve final Transaction Documents and recommend	January 2015	June 2015
11	Board of Supervisor Approvals: Board to approve the Lease, the Sale Agreement, and other Transaction Documents and City Regulatory Approvals that require	March 2015	June 2015
12	Public Trust Consistency Approvals: Developer to obtain State Lands Commission findings required pursuant to AB 1273 (Chapter 381 of the Statutes of 2013) for Piers 30-32 and State Lands Commission approval of the appraisal for the SWL 330 Site and the subsequent conveyance of the SWL 330.	April 2015	June 2015
13	Execution of LDDA	April 2015	June 2015
14	Regulatory Approvals: Developer to obtain necessary Regulatory Approvals by outside agencies including any approvals required by the San Francisco Bay Conservation and Development Commission.		Within timeframe set forth in LDDA

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-09

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction; and
- WHEREAS, The City and County of San Francisco (the "City"), acting by and through the Port Commission (the "Port"), owns approximately 13 acres at Piers 30-32 located on the east side of The Embarcadero at Bryant Street and approximately 2.3 acres of undeveloped land at Seawall Lot 330 located on the west side of The Embarcadero between Beale and Bryant Streets (together, Piers 30-32 and Seawall Lot 330 are referred to in this resolution as the "Site"); and
- WHEREAS, GSW Arena LLC ("GSW"), a wholly owned subsidiary of GSW Sports LLC and an affiliate of the entity that owns the Golden State Warriors basketball team (the "Warriors"), proposes to build, finance and operate a development project consisting of two related components on the Site (the "Project"); and
- WHEREAS, The first part of the proposed Project involves GSW's seismic upgrade and rehabilitation of Piers 30-32 and construction of a new privately financed, state-of-the art multi-purpose event venue with seating for approximately 18,000 persons, useable for public assembly uses and other events, including, but not limited to, conventions, Warriors home games, cultural events, family shows and performing arts, along with public open space, maritime use, visitor-serving retail and related parking facilities, on Piers 30-32; and
- WHEREAS, The second part of the proposed Project includes GSW's construction of improvements with residential, hotel, and/or retail uses and accessory parking on Seawall Lot 330; and
- WHEREAS, On May 29, 2012, the Port Commission adopted Resolution No. 12-48, designating the Office of Economic and Workforce Development ("OEWD") as the lead negotiator for the proposed Project, among other designated projects, to act in coordination with Port staff and at the direction of the Port Commission; and
- WHEREAS, On June 12, 2012, the Board of Supervisors adopted Resolution 236-12: 1) finding that the potential real estate transaction involving the Project would generate substantial public benefits and is exempt from the competitive bidding policy set forth in Administrative Code Section 2.6-1; 2) endorsing the Port Commission's designation of OEWD as the lead negotiator; 3) endorsing sole source negotiations with GSW;

4) requiring OEWD and the Port to engage in outreach to affected and interested neighbors, community members and other stakeholders to ensure that the proposed Project is designed with maximum public input; 5) urging OEWD and the Port to work closely with State agencies having jurisdiction over any of the Site, including the State Lands Commission and the San Francisco Bay Conservation and Development Commission, to develop the project description; and 6) taking other related actions; and

- WHEREAS, On June 12, 2012, the Port Commission adopted Resolution 12-50: 1) endorsing sole source negotiations by City and Port staff with GSW; 2) authorizing staff to negotiate an Exclusive Negotiation Agreement ("ENA") with GSW for the proposed Project; and 3) taking other related actions; and
- WHEREAS, On August 14, 2012, the Port Commission adopted Resolution 12-61, authorizing the Executive Director or her designee to execute the ENA; and
- WHEREAS, The ENA provides for Performance Benchmarks that GSW is required to complete during the Exclusive Negotiation Period, and describes the process, terms, and conditions upon which OEWD, the Port and GSW will negotiate a lease disposition and development agreement, one or more long-term leases, a purchase and sale agreement, and other related documents required for the Project described in the ENA (collectively, the "Transaction Documents"); and
- WHEREAS, On November 13, 2012, the Port Commission adopted Resolution No. 12-89, authorizing the Executive Director or her designee to execute the First Amendment to the ENA to, among other things, extend Target Dates and Performance Dates for Performance Benchmarks; and
- WHEREAS, The ENA was subsequently amended by letter agreements dated as of April 12, 2013 and October 10, 2013, to extend Target Dates and Performance Dates for Performance Benchmarks as provided in Section 3.2 of the ENA; and
- WHEREAS, In order to allow for maximum public input regarding the proposed Project, the parties desire to amend the ENA to, among other things: 1) revise the Target Dates and the Performance Dates for the Performance Benchmarks as shown in Exhibit A to the attached Staff Memorandum, 2) change the expiration date of the ENA from June 30, 2014 to June 30, 2015, with one 1-year extension to June 30, 2016 upon payment of an Extension Fee, and 3) extend the deferral of certain Third-Party Transaction Costs by one year, and (4) amend the Transaction Costs Budget to address costs that will be incurred during the extended term of the ENA; now, therefore be it

RESOLVED, That the Port Commission authorizes the Executive Director or her designee to execute the Second Amendment to the Exclusive Negotiation Agreement ("Second Amendment") and any additions, amendments or other modifications thereto that are necessary and advisable to complete the Second Amendment consistent with the terms and conditions set forth in the Staff Memorandum and in a form approved by the City Attorney; and be it further

RESOLVED, That the Port Commission reserves the right, if negotiations with GSW are unsuccessful and do not lead to approval of the Transaction Documents, to undertake other efforts, which may include determining no project will be pursued, selecting a developer by any other means, and issuing a new development solicitation at the Port Commission's sole discretion; and be it further

RESOLVED, That approval of the Second Amendment does not commit the Port Commission to approval of the Transaction Documents, and that the Port Commission shall not take any discretionary actions committing it to the proposed Project until it has reviewed and considered environmental documentation prepared in compliance with the California Environmental Quality Act (CEQA).

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 11, 2014.

Secretary



MEMORANDUM

February 7, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer
Executive Director *M Moyer*

SUBJECT: Authorization to award Lease Number L-15771 for the EcoCenter at Heron's Head Park and surrounding 6,058 square feet of non-exclusive license area, located near the intersection of Jennings Street and Cargo Way, to the Bay Institute Aquarium Foundation, a Not For Profit California Corporation for a five-year term with two two-year options

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

EXECUTIVE SUMMARY

The EcoCenter is a unique green building, designed and constructed to serve as an environmental education center and located within the Port of San Francisco's Heron's Head Park. At its meeting on September 24, 2013, the Port Commission authorized staff to issue a Request for Proposals (RFP) from qualified entities to lease the EcoCenter and operate it in keeping with its purpose as a public resource, providing environmental education and demonstrating green building technology. The Port issued the RFP on September 25, 2013, and conducted extensive outreach to solicit proposals.

Proposals were due on November 8, 2013, on which date the Port received qualified responses from the following parties:

- The A. Philip Randolph Institute
- The Bay Institute Aquarium Foundation

The two proposals were evaluated and both respondents were interviewed by a panel with expertise relevant to the proposed operation. The two respondents have since negotiated an

THIS PRINT COVERS CALENDAR ITEM NO. 9B

agreement under which they would collaborate to operate the EcoCenter in a manner that best serves the Port's objectives. The Bay Institute Aquarium Foundation proposes to operate and program the EcoCenter in collaboration with the A. Philip Randolph Institute and City College of San Francisco.

Staff is seeking Port Commission approval to award Lease Number L-15771 to the Bay Institute Aquarium Foundation, a Not For Profit California Corporation.

BACKGROUND

Heron's Head Park is a 22-acre open space owned and operated by the Port, dedicated to wetland and wildlife habitat and passive recreation (see Exhibit A). Port tenant, LEJ, a non-profit organization in the Bayview-Hunters Point neighborhood, has leased approximately 2,292 square feet of land beneath the EcoCenter and a surrounding 6,058 square-foot non-exclusive outdoor license area (see Exhibit B) since 2007. LEJ constructed the EcoCenter in 2009-2010, and has owned and operated it since.

On October 8, 2013, at the request of LEJ, the Port Commission authorized Port staff to negotiate and execute a mutual termination agreement through which ownership and operation of the EcoCenter would transition from LEJ to the Port¹. The Board of Supervisors voted unanimously to approve the Mutual Termination Agreement on December 17, 2013.

As specified by the RFP, the EcoCenter will be used primarily for education and public access with a focus on green building, sustainability, and San Francisco Bay habitats. It also established Port goals for operation and programming, including:

- Promote public access and participation.
- Maximize the educational and other public benefits.
- Engage the local community.
- Operate the building systems and maintain surrounding landscaping.
- Coordinate with the Port staff to facilitate the Port's maintenance of the EcoCenter.

The RFP required submittal of an "Operations and Program Plan" that describes proposed use of the EcoCenter and how such use will fulfill the Port's objectives as listed above. These goals were considered by the Port Commission in its authorization to issue the RFP and formed the basis for the evaluation criteria used to score the proposals and interviews. Respondents were also asked to submit a Port Leasing Application Package, including the financial information required therein, and a "Funding Plan", which describes how the respondent will fund its proposed programs.

OUTREACH PROCESS

The Port issued the RFP on September 25, 2013. Port staff's outreach to potentially interested parties included calling or emailing hundreds of individuals, organizations, institutions and City and County of San Francisco agencies whose mission or interest fits the

¹ See staff report to the Commission at <http://www.sfport.com/modules/showdocument.aspx?documentid=6838>

goals of the EcoCenter lease opportunity, either as tenants or users of the EcoCenter, as described below. Notices of availability of the RFP were posted on the City's Bids & Contracts Database and the Human Rights Commission website, in local newspapers, and was also sent to the Clerk of the Board for placement in twelve community newspapers that make advertising space available to City Departments.

On September 25, 2013, notice of the RFP availability was emailed to all existing Port tenants and the Southern Waterfront Advisory Committee (SWAC) and approximately 170 SWAC-related interested parties. The Port emailed notices directly to more than 700 neighborhood groups, homeowners' organizations, and other community based organizations in the Bay View Hunters Point area. The Port also sent individual emails directly to ten organizations that connect corporations that have social responsibility programs with organizations or venues that offer opportunity for implementing such programs. Over the course of the outreach effort, 33 individuals registered on the Port's website to receive information and updates about the RFP during the proposal solicitation period.

Port staff conducted six tours of the EcoCenter in September and October 2013 and held a pre-submittal conference regarding the lease opportunity and the RFP on October 10, 2013. Port staff convened an evaluation panel of four people with expertise relevant to the EcoCenter lease opportunity. The panel reviewed written proposals and subsequently interviewed the two respondents to the RFP on December 6, 2013.

At its December 12, 2013 meeting, the Port Commission heard the two respondents' presentations and subsequent public comment. The Port Commission expressed its response, concluding that a collaborative approach to programming the EcoCenter would best serve the community benefit goals established in the RFP. The two respondents have since worked to develop an approach to programming the EcoCenter in a manner that best employs the strengths of each. This collaborative approach, and the specific roles and responsibilities of each of the respondents, will be documented in a final "Operations and Program Plan" for the EcoCenter. As specified in the RFP, the final Operations and Program plan will be an exhibit to and an enforceable condition of the lease.

RESPONSES TO THE RFP

On November 8, 2013, the Port received two proposals in response to the RFP from:

- The A. Philip Randolph Institute (APRI)
- The Bay Institute Aquarium Foundation (TBIAF)

APRI is a Bayview-based non-profit organization whose mission is to advocate for racial and economic justice in low-income communities by providing education, training and other opportunities that empower residents. TBIAF is a non-profit organization dedicated to serving a broad community through education about San Francisco Bay. TBIAF proposed to operate the EcoCenter in collaboration with City College of San Francisco (City College) under the guidance of a Program Advisory Committee comprised of local community groups and environmental educators. TBIAF is currently a Port tenant in good standing at its Aquarium of the Bay facility at Pier 39.

Initial review by Port staff found both proposals to be responsive to the RFP requirements, meeting the minimum qualifications, and eligible to proceed through the evaluation process.

EVALUATION PROCESS

The Port assembled an evaluation panel with experience relevant to the EcoCenter lease to evaluate and recommend a most qualified respondent. The evaluation panel consisted of:

- Sarah Ballard, Director of Policy and Public Affairs, City and County of San Francisco Recreation and Parks Department
- Amy Hutzler, San Francisco Bay Program Manager, California State Coastal Conservancy
- Eric McKee, Education Programs Coordinator at Environmental Volunteers, a non-profit environmental education facility in the Palo Alto Baylands Nature Preserve
- Angelique Tompkins, a Bayview resident and social justice activist in matters related to equity, health and wellness.

The panel members were selected for their expertise in operating an environmental education center in a green building; providing related environmental education, recreation, and volunteer programs; funding and operating public access and environmental restoration projects in San Francisco Bay; and issues of importance to the local community that the EcoCenter serves. The evaluation panel reviewed the written proposals, interviewed both respondents, and completed scoring relative to the evaluation criteria set forth in the RFP.

In a separate process, Port staff in the Real Estate and Finance Division evaluated the financial information submitted with the two proposals. The evaluation of written proposals, interviews, and financial information scored the Bay Institute Aquarium Foundation as the higher ranking respondent to the RFP for the EcoCenter. The evaluation panel's scores based on written proposals and interviews, and scores resulting from Port staff's review of financial information are provided in Exhibit. C.

COLLABORATIVE APPROACH TO ECOCENTER PROGRAMMING

At the December 12, 2013 meeting, Port staff presented an informational report to the Commission regarding the RFP process and resultant submittals. Each respondent presented an overview of its qualifications and a general description of its proposal for operating and programming the EcoCenter. The Port Commission expressed its response to the presentations and subsequent public comment, concluding that the two respondents had different but complementary strengths, and that a collaborative approach to programming the EcoCenter would best fulfill the community benefit goals established in the RFP. The two respondents have since worked to develop an approach to programming the EcoCenter in a manner that best uses the strengths of each. City College and APRI have each negotiated a Memorandum of Understanding with TBIAF to document the responsibilities of each party with respect to programming at the EcoCenter.

Under this collaborative approach, TBIAF will lease the EcoCenter and operate it in collaboration with City College as its principal education partner and APRI as its principal community partner. TBIAF will support staffing at the EcoCenter at least four days each week, including Saturdays. Programs will be free of charge, and all educational materials will be available for free online and at the EcoCenter.

All three parties will continue to work with the existing environmental education programs offered by the Port and San Francisco Recreation and Parks Department to K-12 schools and other groups. Programming will continue to focus on the environmental, economic, and social justice benefits of the EcoCenter's sustainable design features and integration with the ecology of Heron's Head Park. An overview of the roles of each organization is provided in Exhibit D.

KEY TERMS OF THE RFP AND STANDARD FORM OF LEASE

At its meeting on September 24, 2013, the Port Commission authorized staff to issue an RFP from qualified entities to lease the EcoCenter and operate it as a public resource, providing environmental education and demonstrating green building technology². The RFP and evaluation criteria emphasized the goal of operating the EcoCenter in a manner that includes significant participation from the southeastern sector of San Francisco and promotes the EcoCenter's public benefit potential. Port Commission approval of the RFP included consideration of the basic terms and conditions of the proposed lease and the minimum qualifications and evaluation criteria for the proposals. The lease terms and Port's objectives are described in detail in the RFP and the September 24, 2013 Staff Report to the Commission.

The RFP solicited proposals for a minimum 5-year lease with the possibility of two 2-year options to be offered at the Port's sole discretion. The EcoCenter offers negligible potential to generate revenue. Consequently, the proposed lease terms include a base rent payment to the Port of \$1 per year, provided that the tenant is a non-profit entity.

The RFP specified that the EcoCenter will be used primarily for education and public access with a focus on green building, sustainability, and San Francisco Bay habitats. It also established Port goals for operation and programming, including:

- Promote public access and participation.
- Maximize the educational and other public benefits.
- Engage the local community.
- Operate the building systems and maintain surrounding landscaping.
- Coordinate with the Port staff to facilitate the Port's maintenance of the EcoCenter.

The RFP required submittal of an "Operations and Program Plan" that describes proposed use of the EcoCenter and how such use will fulfill the Port's objectives as listed above. These goals were considered by the Port Commission in its authorization to issue the RFP and formed the basis for the evaluation criteria used to score the proposals and interviews. Respondents were also asked to submit a Port Leasing Application Package, including the

²See staff report to the Commission at <http://www.sfport.com/modules/showdocument.aspx?documentid=6723>

financial information required therein, and a "Funding Plan", which describes how the respondent will fund its proposed programs.

BCDC AND CEQA

The use of the EcoCenter under this lease will comply with the existing BCDC Permit No. M98-3, as amended through April 27, 2006, including operation of an environmental education center, outdoor gathering, and installation of outdoor educational exhibits. The permitted uses in the Lease are a continuation of existing and related uses and are therefore covered under the General Rule Exclusion pursuant to the California Environmental Quality Act.

SOUTHERN WATERFRONT ADVISORY COMMITTEE

At its meeting on January 22, 2014, the Port's Southern Waterfront Advisory Committee (SWAC) heard an update from Port staff on the EcoCenter leasing process and joint presentation from TBIAF, City College and APRI regarding their proposed collaborative approach to EcoCenter programming. The SWAC expressed its appreciation for the efforts of the respondents to the RFP to work together, and further expressed its enthusiastic support for TBIAF's proposal to lease the EcoCenter and implement its programs in collaboration with City College and APRI.

FINAL OPERATIONS AND PROGRAM PLAN

TBIAF, City College and APRI have been working together to refine their Operations and Program Plan, which will describe the above-referenced programs and other specific roles and responsibilities of the parties. Exhibit D provides an overview of the roles and responsibilities agreed upon by the parties. A final Operations and Program Plan detailing the operations and programming to be provided at the EcoCenter will be subject to Port staff's approval prior to executing the lease and will become an exhibit to and an enforceable condition of the lease. Either Port or Tenant may recommend revisions to the Operations and Program Plan over the course of the lease term. All revisions to the Operations and Program Plan, whether initiated by Port or Tenant, are subject to Port approval, in its sole discretion.

The RFP specified that the tenant would also be required as a condition of the lease to establish measurable goals for the final Operations and Program. These goals will form the tenant's performance criteria under the lease, and the tenant must submit quarterly reports regarding EcoCenter operations and programming to the Port. TBIAF has committed to providing quarterly and annual reports on operations and programming, including program content, type and number of participants, contact hours with program participants, and participation by local entities. These reports will include reporting on activities provided by and in collaboration with City College and APRI.

The provisions regarding default and remedy in the Lease are those in the Port's standard form lease, including failure by the tenant to comply with any terms, conditions, or agreements contained in the Lease. The Port-approved Final Operations and Program Plan will be such an agreement. If the Port, in its sole discretion, determines, based on reports submitted by

TBIAF or other information, that TBIAF is not meeting its programming obligations, then the Port will notify TBIAF of a deficiency and request corrections. The Port's standard form lease specifies that if a failure by the tenant to comply with an agreement contained in the Lease continues for fifteen days after written notice by the Port, tenant has a reasonable period to cure a default if it promptly undertakes action to cure within a fifteen days and thereafter diligently prosecutes the same to completion within sixty days after the receipt of notice of default from Port. If the Port determines that a default constitutes an incurable breach of the lease, the Port may terminate the lease with written notice to the tenant, with the tenant having no opportunity to cure. However, the Port would most likely work with the tenant to resolve issues in a more cooperative manner.

FUNDING

TBIAF proposes to fund EcoCenter staffing and program costs from the general operating budget for its Education and Conservation Department and in-kind support from City College and APRI. Initial operating costs will be paid for by ticket sales at the Aquarium of the Bay, unrestricted donations, and other funding through TBIAF. TBIAF intends to reach out to foundations, corporations, institutions and individual donors for funding new programming specific to the EcoCenter. It has a strong track record of funding its facilities and expanding its programs in this manner.

NEXT STEPS

Port staff intends to return to the Port Commission at its next meeting on February 25, 2014 to request approval of and authorization to execute the lease. The lease terms will be those in the Port's standard form lease with the exception of rent and maintenance obligations, as described above.

RECOMMENDATION

Port staff recommends that the Port Commission award Lease Number L-15771 to the Bay Institute Aquarium Foundation, a Not For Profit California Corporation, to operate the EcoCenter in collaboration with City College and APRI. Port staff also recommends that the Port Commission authorize staff to negotiate final terms and conditions of the lease, including the final Operations and Program Plan for the EcoCenter, consistent with the basic lease information and standard form of lease substantially similar to the form attached to the RFP and execute the lease.

Prepared by: Carol Bach, Environmental & Regulatory Affairs Manager
Planning & Development Division

Jeffrey Bauer, Senior Leasing Manager
Real Estate Division

For: Byron Rhett, Deputy Director
Planning & Development Division

Susan Reynolds, Deputy Director
Real Estate Division

Attachments

- Exhibit A: Site Location, The EcoCenter at Heron's Head Park
- Exhibit B: Site Plan for lease opportunity
- Exhibit C: Evaluation Results
- Exhibit D: Programming Roles of Collaborating Organizations at The EcoCenter at Heron's Head Park

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-10

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, regulate and control the lands within Port jurisdiction; and
- WHEREAS, The Port will execute a previously approved Mutual Termination Agreement with Literacy for Environmental Justice, at which time the current lease for the 2,292 square foot EcoCenter building and surrounding 6,058 square foot non-exclusive license area within Heron's Head Park (collectively, the "EcoCenter") will terminate and Port will exclusively own and control the EcoCenter; and
- WHEREAS, On September 24, 2013, the Port Commission adopted Resolution 13-38, authorizing Port staff to issue a request for proposals ("RFP") for a new lease of the EcoCenter; and
- WHEREAS, On September 25, 2013, the Port issued an RFP for the EcoCenter; and
- WHEREAS, The Bay Institute Aquarium Foundation and the A. Philip Randolph Institute submitted timely responses to the RFP, both respondents were found by Port staff to be qualified, and their submittals responsive to the RFP requirements; and
- WHEREAS, Port staff convened an evaluation panel of four people with combined expertise in environmental education, education facilities and natural resources management, funding public access and natural resources conservation project in San Francisco Bay, and community outreach to review, and the panel reviewed the responses against the objectives and evaluation criteria set forth in the RFP; and
- WHEREAS, The Port Commission suggested that a collaboration between the two respondents might yield the greatest potential for public benefit from the EcoCenter; and
- WHEREAS, The evaluation of written proposals, interviews, and financial information scored the Bay Institute Aquarium Foundation as the higher ranking respondent to the RFP for the EcoCenter; and
- WHEREAS, The Bay Institute Aquarium Foundation has negotiated agreements with City College of San Francisco and the A. Philip Randolph Institute to establish a collaboration to operate and program the EcoCenter in a

manner that endeavors to meet the Port's objectives specified in the RFP;
and

WHEREAS, The permitted uses in the Lease are a continuation of existing and related uses and are therefore covered under the General Rule Exclusion pursuant to the California Environmental Quality Act; now therefore be it

RESOLVED, That the Port Commission hereby awards the Lease to The Bay Institute Aquarium Foundation, a Not For Profit California Corporation, to operate the EcoCenter in collaboration with City College of San Francisco and the A. Philip Randolph Institute.

I hereby certify that the Port Commission at its meeting of February 11, 2014 adopted the foregoing Resolution.

Secretary



Exhibit A. Site Location, The EcoCenter at Heron's Head Park

Exhibit B. Site Plan for Lease Opportunity

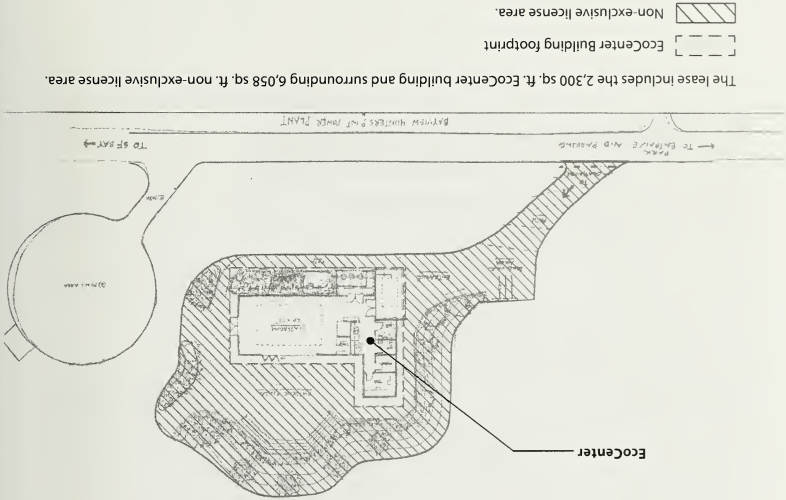


Exhibit C: Evaluation Results

EVALUATION PANEL SCORES - Combined review of written proposals and oral interviews

Experience, Qualifications, and Response to Port Goals (35 points -- 7 points each)				
APRI		TBAIF		
Total	Average	Total	Average	
A.	5	20	7	
				participation, relevant to the programming that tenant intends to offer, as described in their proposal.
				Proposer's organizational structure, history of the organization or team: Sufficient staff with the relevant
				proposers to meet minimum operational requirements? To provide the programs described in the Operations
B.	5	19	6	
				Experience and education needed to staff and manage the building in a safe and secure manner.
C.	5	18	7	
				Experience delivering environmental education or other discipline relevant to the Proposer's program and the
D.	5	26	5	
				Experience working with civic institutions.
SUBTOTAL EXPERIENCE				
		20	5	
		26	5	
		7	20	
		101	25	
F.	6	22	9	
				Ability of the proposed programming to meet project objectives: Does the Operations & Program Plan describe
G.	7	29	8	
				programming that serves the goals described in the RFP?
H.	6	25	8	
				Plan to integrate existing environmental education and public participation programs offered by Port partnership
I.	4	14	8	
				Proposed plan to measure and report to the Port regarding compliance with minimum operational requirements and programming that serves Port goals.
		90	23	
		130	33	
SUBTOTAL OPERATIONS/PROGRAM				
		191	64	
TOTAL, Experience, Qualifications and Responsiveness to RFP				
		Total	Total	
FINANCIAL ANALYSIS SCORES - Review of financial information and funding plan				
		11	22	
		0	13	
		1	13	
		6	10	
TOTAL, Financial Analysis				
		18	58	
		209	315	

Exhibit D: Programming Roles of Collaborating Organizations at The EcoCenter at Heron's Head Park

The following provides a general overview of the roles of the organizations collaborating to operate and program the EcoCenter. A more detailed description of specific responsibilities and scope of work for each organization will be defined in the final Port-approved Operations and Program Plan and in Memoranda of Understanding between The Bay Institute Aquarium Foundation (TBIAF) and each of the two collaborating organizations: City College of San Francisco and the A. Philip Randolph Institute.

The Bay Institute Aquarium Foundation

- Will hold the lease agreement for the EcoCenter and assume all financial and administrative responsibility specified by the lease.
- Will provide staffing, administrative support and other resources needed for day-to-day operation of the EcoCenter.
- Will work with its partners to develop age-appropriate curriculum that meets the varied needs and interests of EcoCenter users.
- Will develop online resources that can be used by visitors who wish to learn more about the EcoCenter when it is closed. Online resources will be updated regularly to reflect seasonal changes at the park and current programming information.

City College of San Francisco

- Will provide additional staff time, student volunteers, and educational materials for the Port's K-12 environmental education programs, the Greenagers, and other programs offered by the Port through its partnership with the Recreation and Parks Department.
- Will offer an on-site work experience course in Applied Sustainability, which provides college students with hands-on experience in environmental science and green building technology.
- Will offer course work in habitat restoration, supervise college student volunteers in on-site habitat restoration projects, and coordinate with existing environmental education programs' habitat restoration activities in Heron's Head Park.

A. Philip Randolph Institute

- APRI and TBIAF will create a Community Advisory Committee that can provide guidance and expertise as EcoCenter programs develop. APRI will help identify the areas of interest and expertise that should be represented on the Community Advisory Committee and help select representatives to serve as committee members. The Executive Director of APRI will serve along with TBIAF's Education and Conservation Director as Co-Chair to the Community Advisory Committee.
- APRI will assist TBIAF in identifying and recruiting candidates for TBIAF to appoint to its Board of Directors to represent the Bayview Hunters Point community.
- APRI will use its existing relationships with schools in the Bayview Hunters Point community to connect local schools with programming at the EcoCenter.
- APRI currently offers an after-school program to help local high school students find and apply for internship and other opportunities. APRI intends to begin offering this program at the EcoCenter.



SAN FRANCISCO PORT COMMISSION

**FEBRUARY 11, 2014
MINUTES OF THE MEETING**

MEMBERS, PORT COMMISSION

HON. LESLIE KATZ, PRESIDENT

HON. WILLIE ADAMS, VICE PRESIDENT

HON. KIMBERLY BRANDON

HON. MEL MURPHY

HON. DOREEN WOO HO

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MONIQUE MOYER, EXECUTIVE DIRECTOR

AMY QUESADA, COMMISSION SECRETARY

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING FEBRUARY 11, 2014

1. CALL TO ORDER / ROLL CALL

Commission President Leslie Katz called the meeting to order at 3:15 p.m. The following Commissioners were present: Leslie Katz, Willie Adams, Kimberly Brandon, Mel Murphy and Doreen Woo Ho.

2. APPROVAL OF MINUTES – January 14, 2014

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor; the minutes of the January 14, 2014 meeting were adopted.

3. PLEDGE OF ALLEGIANCE

4. ANNOUNCEMENTS

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

5. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

6. EXECUTIVE

A. Executive Director's Report

- Maiden Call Ceremony AZAMARA QUEST - February 13, 2014

Monique Moyer - Thank you all for coming today. You can always tell when we're doing our financials by the incredible turnout that we have of the public. Having said that, I do have a very short Executive Director's report and then I want to mention a new section of our agenda called, "The Commissioners' Report."

On Thursday, February 13, 2014, we will be welcoming the maiden call of the Azamara Quest which is a cruise ship owned by Azamara Club Cruises. This will be her first visit to the Port of San Francisco and she will be arriving as on February 13 and staying for two nights. She and her guests will be here for Valentine's Day. What a terrific place to celebrate. It's a much smaller ship than several we've seen lately. She carries 702 guests and 400 or so crew so that's about 1000 total and we're pleased to be welcoming her for the first time.

In 2014 we're going to have 75 cruise calls and we're going to have 260,000 passengers which is the highest number of passengers since the late 1960s. We've been very pleased to see our passenger volume growing and as we've previously reported, some of that growth is due to the fact that the ships are just bigger and some of it is due to the fact that we have more volume.

By way of context in 2013 we had 64 calls and 213,000 passengers which doesn't include crew so that adds a couple thousand to the numbers. We're very pleased to be welcoming the AZAMARA. She will be the only maiden cruise call for the Port of San Francisco in 2014.

I have great news about Princess when the time comes.

- Pier 92 Grain Silo Public Art Project – February 26, 2014 at 5:30 p.m.

The Pier 92 Grain Silo Public Art Project is completed and is ready to be launched for the public's enjoyment. A lot of people have been enjoying it already just from even driving in on 280, the 280 extension or just around the neighborhood. On February 26, 2014 at 5:30 PM we are going to be hosting a ribbon cutting with District 10 Supervisor Malia Cohen and Port Commissioners. Commissioner Brandon will be hosting with me and Port staff and the artist team of Laura Haddad and Tom Drugan and various community members and we will be officially lighting the Bayview Rise at the Grain Silos at Pier 92. It'll be a great event on February 26 at 5:30 PM at the corner of Amador and Cargo Way right behind the Fire Station.

B. Commissioners' Report

Monique Moyer - We've added an agenda item called Commissioners' Report. This is an opportunity for any of you to make comments about your activities or other things of interest outside of new business where you're sort of making assignments to the Port staff.

It is a common item on a lot of other city Commissions and we thought it was appropriate to bring it forward here because you have been so terrific in sharing information and educational information with us and so we thought we'd just give you your own dedicated time right at the start of the meeting when we hope to have a full house.



Commissioner Katz – So, now that we have our Commissioners Reports, Commissioner Adams, would you like to give us a report that we put you up to last time when you weren't here?

Commissioner Adams - First of all, I'd like to start out by thanking ex-president Doreen Woo Ho, Vice President Brandon for your leadership. For the last couple of years, the Port Commission found ourselves going through a typhoon. Your leadership led us through it very firm and very strong and I really appreciate it. Thank you Doreen and Kimberly for all your hard work and leadership.

At the December meeting, we were talking about the Heron's Head Park Project and it was right after that meeting that I had an opportunity with National Geographic on my own as a tourist to take the trip of a lifetime for me, 17 days in Antarctica and the South Pole. It gave me a different perspective as a Commissioner, just as a regular person about the last frontier, how important our environment is, whether it's global warming, protecting the environment. I'm just a kid that grew up in the streets of Kansas City, Missouri and going to Antarctica was my seventh continent and I was with researchers and scientists and people that really care about the environment.

To see the Orca whales, the Humpback whales, to see the Emperor Penguins the Gentile Penguins, to see Leopard Seals and all types of wildlife, it was just something that I can never really think about. I read the book of Sir Ernest Shackleton writing about his expeditions down to Antarctica and this last place that's so pristine on earth and I'd like to read an excerpt from his book. I wrote it down about Sir Shackleton and I felt the same way that he felt, in having an opportunity, being one of a million people that ever get to set foot on the continent of Antarctica.

It says, "In memories, we were rich. We had pierced the veneer of outside things. We had suffered, starved, and triumphed, groveled down yet, grasped at glory, grown bigger in the bigness of the whole. We have seen God in His splendor, heard the text that nature renders. We had reached the naked soul of man."

That was the way I felt having an opportunity going to Antarctica and I know a lot of people go on cruise ships and stuff like that but I was on a working vessel of only 200 people. I did a dive of 200 feet. I went snowboarding. I climbed summits and really getting to be out there hands on.

When Hilary Clinton was Secretary of State, the treaty with Antarctica -- because everybody wants to claim Antarctica - Australia, New Zealand, Argentina, Chile, Britain - but it belongs to nobody so everybody had this treaty so to see that and to understand how important it is and Prince Harry had been there a couple weeks before we had got there and he did a trek with a group of guys from the Army to reach the South Pole and they ran into a storm.



One of things about being on this expedition, there were a lot of young people. That made me feel good. The youngest person on this expedition was four months old; the oldest was 90 years old and that really made me feel that the younger generation cares about this environment. When this whole issue came up in December about Heron's Head Park, I live here in San Francisco, I've never been to Heron's Head Park but now I feel like I'm more of an ambassador, I'm more engaged.

Last night I just got in from Cape Town, South Africa, I'd been down there for 10 days for work and on Friday I went shark diving in a cage, and that was a totally different experience for me again because we were in a sanctuary swimming with these 30 foot great white sharks and getting to see them in their nature and how important it is. In South Africa they really care about the environment and protecting the sharks where in Australia right now they've had several shark attacks recently, and so now they're killing sharks down in Australia -- they're catching them, pulling them up to the side of the boat.

I've learned a lot and I'm really thankful for going. I wanted to share that with my Commissioners, but as a person and as a Port Commissioner, I've grown because I had a hands-on experience to go where maybe one in a million people get to go to Antarctica.

Commissioner Brandon - I don't have anything to share. I just want to commend Commissioner Adams on his trips and while he was gone to Antarctica, which is probably a continent that I will never visit, there was a ship that was stuck for a few days and I was concerned that maybe his ship was stuck and he wouldn't be coming back anytime soon.

Commissioner Katz - I did the same checking.

Commissioner Brandon - That was a wonderful report, Commissioner Adams. On another note, I had the pleasure of attending the naming of the Bay Bridge, the Willie Lewis Brown Jr. Bridge this afternoon. It was a great event. It was, the author of the bill, Assembly Member Isadore Hall gave a phenomenal speech of why it's so important that the bridge was named after Mayor Brown and Lieutenant Governor Newsom was in rare form and did a great job and it was just a wonderful event. After all the rain and cold, the sun came out and it was just a beautiful afternoon. I'm just honored to have been a part of that.

Commissioner Katz - I'll echo Commissioner Brandon's comments. It really was a wonderful honor to be bestowed on somebody who has done so much for the state, but the thing that struck me most of all was the impact that the naming of the bridge for Speaker Brown, the impact that that will have on young people seeing what is possible and looking at his life story and how much he achieved.

Whether you've been on winning side of an issue with him or not, I think everyone certainly respects him and recognizes what a tremendous honor that was and what a tribute to all the work that he's done and the legacy he leaves



behind. To me it was kind of an interesting moment when Dr. Clarence Jones also spoke about the legacy from Dr. Martin Luther King.

He was Dr. King's personal attorney and then Lieutenant Governor Newsom spoke about how so many people were touched by Mayor Brown in terms of his getting them involved in political leadership and where many of them ended up and it was sort of a full circle for me because my father was also one of Dr. King's attorneys, and Clarence Jones remembered when my father was a young attorney, and then it was Willie Brown who appointed me to the Board of Supervisors many years ago so it felt like a complete swinging of the pendulum for me too so it was a wonderful treat to be there. Executive Director Moyer was there as well so glad you were able to join us.

Commissioner Murphy - I want to congratulate you on being the new President and Willie for Vice President. Thank you to my two mentors for my first year here, former president Doreen and Kimberly helped me out a lot when I first came around here, sort of point me in the right direction and I appreciate that. I don't have any plans for going down to the Antarctica. I have a lot to do right here in San Francisco. I'm involved in a few gigs right here that I'd rather not talk about publicly, so I've got my hands full right here. As far as reports, next week, next month.

Commissioner Katz - All I could think about when you talked about swimming with the sharks is perhaps it prepares you for San Francisco public service.

7. CONSENT

- A. Request approval of travel for a member of the San Francisco Port Commission to Shanghai, China to attend the Breakbulk China 2014 Conference and make marketing visits to Port shipping customers with members of Port staff. (Resolution No. 14-04)

ACTION: Commissioner Woo Ho moved approval; Commissioner Brandon seconded the motion. Four of the Commissioners were in favor. Commissioner Adams recused himself from voting on this item. Resolution No. 14-04 was adopted.

- B. Request authorization, subject to Board of Supervisors' approval, to accept and expend \$698,625 in 2013 Infrastructure Protection Program Port Security Grant Program funds from the U.S. Department of Homeland Security for security improvements at the Port of San Francisco. (Resolution No. 14-05)
- C. Request authorization to amend contract with Langan Engineering and Environmental Services, Inc. for consulting services related to the Pier 70 Master Plan Area to extend contract term by one year. (Resolution No. 14-06)
- D. Request approval of a supplemental appropriation to reallocate \$1,089,250 of 2008 General Obligation Bond Funds within the Southern Waterfront from

Bayfront Park and Blue-Greenway projects to Bayview Gateway and Tulare Park projects to allocate savings. (Resolution No. 14-07)

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution Nos. 14-05, 14-06, 14-07 were adopted.

8. FINANCE AND ADMINISTRATION

A. Informational presentation on Trends and Implications of the Port's Audited Financial Statements and Future Financial Projections.

Elaine Forbes, Deputy Director of Finance and Administration - I'm opening with this item because it gives you a look at where we've been and where we're projected to be going with the Port's finances to set up your review of the Ten Year Capital Plan and the Two Year Capital Operating and Capital Budget.

I want to thank Commissioner Woo Ho for suggesting that we look at the projections from a financial basis with accrual financials instead of just bringing the typical cash base projections. It's been a very helpful exercise to turn back to the Port's income statement and balance sheet and look at where we've been and where we're headed so thank you for making that suggestion.

I'm joined here today with the whole finance team. Our Fiscal Officer John Woo is here. Anne Carey who will be presenting the Ten Year Capital Plan is here. Meghan Wallace our Budget Manager will present the Operating and Capital Budget. Nate Cruz from Real Estate and Marilyn Yeh are also here as is Daley Dunham who has handled, has shepherded this Capital Plan for many years.

As we look to the last five years, it's very hard not to stress enough how the decisions that this Commission has made has really made an impact on our results. In 2006 the Port didn't have a Capital Plan. We cataloged our capital needs for the first time, I'm sure you felt quite a bit of concern with the size of those needs and since that time, we've guided 195 million dollars of investment, non-developer investment toward our rehabilitation and enhancement of our assets.

In 2012 you approved a capital policy which required us to constrain our Operating Budget and set aside 20% of revenue to capital both in the Capital Budget year and as set aside for future capital and that's really having a result. We've also leveraged public/private partnerships with the 2008 and 2012 revenue bonds which have had significant results to our position. As well as had many successful completion of capital projects.

Since 2008, revenues grew \$17 million or an average of 4.8 percent per year and expenses grew \$13.2 million or an average of 3.9 percent per year. This careful management allowed our revenues to outpace our expenditures, especially in the last three years. We held back expenses in the early years due



to a desire to hold operating expenses and then allowed expenses to grow as we ramped up our capital program and required design and engineering and work of other departments.

If you look at this chart, operating and maintenance is what the Port needs to operate and pay for the maintenance costs and depreciation and amortization is in the light green line. That's a very good indicator of what we should be spending on capital renewal. The operating revenues is the blue line that's even a little below in 2009, a little below in 2010 and then skipping up in 2011, 2012 and 2013 and showing positive revenue.

On the real estate revenue, it's the diversity of our portfolio that continues to help us perform so well. This last five years includes a recessionary period. Despite that we've seen continued growth in our real estate revenues. It's also the policy of this Commission to require market rate adjustment to our lease terms that have really helped to grow this revenue stream.

As the city begins to recover, we're seeing enhanced performance in our real estate revenues. We also experience strong growth in maritime revenues. The two business lines that have shown the most growth are ship repair and cruise and both come from strategic investments from this Commission.

Cruise revenues as you know, we're making a strategic investment in the Pier 27 Cruise Terminal and in the past years it's grown really from increased ship calls and passenger volume and we expect this trend to continue. Dredging and investments to expand dry dock capacity and shore power at Pier 70 really yielded results in that business line.

Since 2008, operating expenses have grown by \$13.2 million for an average rate of 3.9% per year. There are three areas that have drove cost escalation and that's personnel expense, professional services and charge for other city services. For salaries, the mandatory fringe benefits have been continuing to rise as well as pension and health plan cost. The report goes into some detail on pension contributions which have had notable increases.

The use of professional services is to get the services of other city departments and for this prior period was to supplement the Port's internal workforce for our capital projects. Much of the front end costs that we're seeing were for due diligence work, conceptual design and other preliminary costs associated with capital. Preparations for the 34th America's Cup event also contributed to expenses in 2012 and '13.

The operating expenses are held back a little because of a non-cash adjustment that was from reducing the environmental liability of Pier 70. This table shows our growth rate without that non-cash adjustment. As you can see we had more notable cost increases in expense increases in 2012 and 2013 at 10% for 2012 and 4.6% for 2013.



The result of this positive net income in the last three of five years is a total \$8.4 million and it shows that we improved our ability to contribute to capital because all of the management, all of the policies that this Commission has put in place because of the partnerships. The line below, grant and contributed capital that grows \$21.9 million, is the other external sources of revenue that enhanced our operating position.

This chart shows the incredible benefit of leveraging other sources. Operating revenue is in the blue color and grants and contributed capital, other sources of funds. The light green line is our operating and maintenance expenses and then depreciation and amortization above that. This shows that the Port has had the ability in the last five years to meet our operations and our State of Good Repair and its other sources of revenue that have allowed us to make other enhancements to our assets and to address our backlog as well.

The balance sheet, the Port's net position improved \$75.5 million since 2008 and that's a notable result. We've made very significant capital investments that also contribute to liability with debt. Tenant improvement credits comprise the majority of increases in liabilities and grants and other capital contributions have driven significant improvements in our position.

I wanted to give you a look of the investment that we have made since 2006 and the sources of that investment. This pie chart shows the \$195.6 million of investment and you can see the result of this very conscientious and focused effort on getting external resources to make critical investments. Today the Port has secured \$91.8 million in contributions from federal, state and local agencies.

We have maintained a very healthy cash position. Total cash and investment balance was \$123.6 million at the close of last year. This represent 461 days cash-on-hand and it's a very strong position and we project that will continue. As you know, the Port re-entered the bond market in 2010 following about a 20-year hiatus and in order to achieve that, we had to improve our financial position.

We've been able to use this bond program to push more and more capital investment and it's really the decision to create the Capital Plan, to express the need that was required, to improve our financial position, to enter the bond market, and all of these things together have yielded really impressive results.

We have very strong debt service coverage levels historically, looking at 2013 at 6.54 times. This budget focus on current spendable revenue sources and their uses and these projections are prepared on accrual basis of accounting and they mirror the audited financial statement, so there are some changes of how we treat expenses and there are non-cash adjustments as well.

Looking forward, we see a declining ability to generate net revenue. Revenues are projected to grow about \$16.7 million or an average of 3.8% per year but expenses are projected to grow \$21.3 million or 4.9% per year.

This graphic indicates that we're not that far off. If you look at the operating revenue line, it shows we're certainly able to meet our operating and maintenance costs and almost invest appropriately in renewal costs but we're not projecting to generate that net income results that would allow us to invest further. This is a cue for careful management intervention the same way we've managed these last five years.

The diversity of the Port's portfolio, low vacancy rates, economic recovery, Commission policies all work together to show very strong growth on the real estate side. These assumptions assume interim releasing of 88 AC35 sites generating about \$5.4 million in FY 2018. They also assume investments that we're proposing come online for example Pier 31 leasing, Pier 33, Pier 38, new restaurant at Pier 50.

The projections do not assume other opportunities such as the backlands or further utilization of Pier 35 once it's secondary cruise terminal or a development of Pier 19 and 23. Those types of opportunities can help us over the next five years. We didn't include them because either they're speculative or we believe they're outside of the time horizon.

Maritime revenues, the real story in our projections is that cruise is driving the lion's share of the growth in maritime revenues beyond typical CPI and that's from continued enhancement in the increase in the numbers of passengers that are visiting San Francisco from 202,000 projected for 2012-2013 to 261 in our projection period. We're also assuming that \$6 passenger facility charge and special events and parking revenue from Pier 27 which in 2018 at the end of the projection period are about \$1.8 million. The cruise investment is paying off in the maritime revenue.

For operating expenses, the drivers of our future expense are primarily labor. A lot of it is what we have and paying for increases in fringe benefit costs and COLA adjustments, etc. The other part is from adding new resources and positions that we believe are critical to meet operating efficiencies, protect our revenue and respond to who we are today. Also in prior years we had that non-cash adjustment for Pier 70, the reduction of that environmental liability, that we don't project having into the future.

This graphic just shows the main drivers, personnel expenses in the dark blue, charges for other city departments, other expenses, and professional services.

Expense growth is projected to outpace revenue growth resulting in a negative net income for positions throughout the projection period. It still shows we can cover operating and almost get to renewal but it's the grants and contributed capital line -- that small line starts at \$25.8 million out to \$1.8 in 2017-2018 -- that is going to enhance our position. So it's other sources of revenue. It's the grants from other grantors and contributed capital that continues to improve our position.



Here I'm showing you that contributed capital line again in the light green which are the partnerships that we project to continue to have success in forming that drive of improved financial position. We project debt service coverage levels to maybe at least \$1.3 million, 1.3 times but far above that at 4.7 times, well above the requirement, over the next five years so our coverage looks very good.

In terms of summarizing what the past tells us and what the future suggests, our operating revenues are diverse and stable. We have a very healthy cash position. Our debt portfolio is structured conservatively in terms of structure and leverage. We are projecting operating expenses outpacing operating revenue which shows that unless there's careful intervention, we will not be able to address the renewal costs in the way we should and we need to seek additional revenue generating opportunities to continue to improve our position as we experienced in the last five years.

You'll be hearing about the Capital Plan shortly and you'll see that for the first time, the backlog projected at year 10 is smaller than you've seen in prior years. That's a very significant milestone because it's hard for us to keep up with just escalation costs and all of the investment that we've done in the prior years has gotten us there.

For capital, the strategies are to pursue development projects that leverage private investment to support city policies while reducing our backlog. You'll see in the Capital Plan that development projects are 43% of our identified sources over the next 10 years and those development projects we're showing to address \$243 million of backlog.

We need to continue to rebuild our aprons and bring sheds up to code with Port maintenance. This is an initiative that we advanced last budget year by adding a pile driving crew and we're seeing results and will continue to see results from that strategy. We need to continue to address State of Good Repair through implementation of your capital policy and also investment criteria and invest in new leasing opportunities. You'll hear in the Capital Budget that we're looking to fund a Southern Waterfront EIR as one example and continue to build new partnerships. We're funding an initial phase of the seawall study and are partnering with the city and other external agencies to size the problem of the seawall and develop a financing strategy. We also are funding grant matches so when we receive Homeland Security and other sources, we have the match there to receive those funds.

On the Operating Budget, it's really to maintain the operating reserve and the capital policies. To support only new positions that need strategic goals, to address our changing environment or protect revenues and increase operating efficiencies. We've limited all other expenditure growth to 3% of actuals. It's to seek reductions in operating expenses that do not undermine effective operations and every year we'll be looking to find those and also to ensure that South Beach Harbor is a self-supporting program prior to its transfer and to offset expenses for development proposals through cost recovery.



As I looked at all of these numbers, I saw two types of strategies. One is to look toward incremental improvement and controlling operating expenses, growing our revenue, setting aside the right amount of capital. The past showed that incremental strategy is showing really good results. The other strategy is more external where we seek innovative financing partnerships with the City such as being part of the Clean and Safe Neighborhood Parks Bond voters approved in 2008 and 2012.

The hopes of Infrastructure Financing District (IFD) in terms of a source, the GO bonds, those are game-changers for our position. The incremental strategies that we can control show good incremental results but it's those external strategies that show really dramatic changes. This look-back shows a lot of success and it also shows caution looking forward and that we have to continue to be as creative in the future as we've been in the past.

Commissioner Woo Ho - I want to commend staff for putting both the historical and the future projections in one presentation. I know it was a lot of work and a lot of time and analysis that went in but I think it's good to see the two side-by-side. There is a lot of insight that we do see. A couple things, one, we've already talked about this, in the future it'd be useful to have an operating cash flow statement for the period of historic and going forward because we can see if cash increases versus the fact that net income on an accrual basis is declining. That's one thing to watch as well.

We've talked a little bit about this but the key thing in these forecasts is understanding the assumptions that go into it. I hope that we could also list out at any future presentations some variables to the projection so that we can understand exactly what the sensitivity of those assumptions are and in this and the real estate revenue, I think the question I have is how granular we were able to do the analysis versus the CPI increase of rental rates because at this point the trend line of the fact that the expenses are going up faster than the revenue is not a good sign.

I know that you are generally very conservative, but it's important to go sort of granular here to understand whether there is anything on a pure operating level that could improve this forecast going forward so that there should be more of an understanding of what is coming up for renewal and not just a general CPI increase or major leases. If there is some money that will be coming in on a revenue side that we can take a look at that.

The sensitivity of both the positive and my understanding is that the expense side is kind of fixed, we can't really do too much but we're saying that the operating revenue is not going to have enough to do the capital renewal. We'll get to the Capital Plan but that's a major issue but we want to be able to sustain on an operating level and the forecast is not showing that trend so that is very alarming given that we have other pressures coming at us in terms of other negotiations down the line, and my understanding is that at this point you have included the revenue from any of the Piers that have been freed up by AC34.



Elaine Forbes - It's a good suggestion to do a more granular level of projections. We have certainly done due diligence on sites that either we know will turn over or are vacant or underutilized. For AC34 sites we're assuming interim leasing, either shed or parking space for all of those facilities. It enhances revenue substantially during the projection period. It's about \$5.4 million in FY 2017-2018 so that's assumed.

I also mentioned but probably didn't go into much detail, we assume Pier 38 beginning in the second quarter of 2015-2016 at \$300,000. We assume the upstairs portion of Pier 33 is rented resulting in \$202,000 of revenue in 2015-2016 and Pier 31 as well resulting in revenue of \$765K. We did assume those particular sites and I did. You mentioned that it would be nice to see the variables to the projection and what would make them go up or down.

The variables that would make this revenue projection for real estate go up is fuller utilization of Pier 35, for example, when it becomes a secondary cruise ship terminal. The Maritime Division is working on some concepts for that site. As for the backlands, I don't believe we'll see that revenue in this projection period so that's why I didn't include it but that's a very good opportunity site.

In these projections in general, the biggest risk to the Capital Plan is a change in the real estate market or a change in the political context vis-à-vis Port development. We've talked about \$250 million of State of Good Repair assumption from the development project. The biggest risk to operations and to the budget is not growing enough to allow for us to operate efficiently or conversely, growing too much and we're really trying to strike that balance.

The biggest risk to the financial projections is this negative net revenue that you're discussing and not being able to overcome that. The past shows that it took a lot of intervention and careful decision-making and strategy to have us generate positive income, address the backlog and gain ground. We have a very big Capital Plan. It does take a lot of effort to show positive results.

Commissioner Woo Ho - Right, but then the other question is I know that you've been developing conservatively but the encouragement in terms of being able to be very aggressive in identifying grants and other contributed capital because that's the only way we're going to get into any positive change in net assets and if we're going to incur a higher net income loss under the current projection and assumptions, it's incumbent therefore to look more aggressively for third party.

We also know the mood in Washington and Sacramento so it's not going to be easy to get our share of other grants and funds that can come from other sources but it would appear that is imperative and that's the takeaway that we have to look at here in terms of the projections going forward. On the cruise ship terminal, you've assumed aggressive growth in the cruise ship calls so that's in there and you have a passenger facility fee which at this point is flat in this projection. We will learn whether there is going to be any elasticity in that because that could change and also increase revenue. All I'm saying is that

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every single stone has to be turned over to look for revenue source because this trend cannot continue the way it is.

Elaine Forbes - Agreed.

Commissioner Katz – I have a couple of questions in terms of some of the projections. I am also a little concerned because some of the revenue projections are fairly significant in increase for example in cruise passengers. Are we fairly confident that we have the commitments from the cruise ships?

Elaine Forbes - I believe this is built on bookings and projections going forward of actual bookings so I think it's a very reasonably optimistic projection.

Commissioner Katz - I do appreciate Commissioner Woo Ho's comments about going much more granular. I think that will be helpful for all of us.

Elaine Forbes - Okay, thank you.

Marilyn Yeh, Financial Analyst from the Maritime Division - Yes it is. Currently, we have 75 calls booked for a total of 260,000 passengers.

Commissioner Katz – Good, that's assuming the economy continues as it is. You also noted that one of the reasons we did quite well these last couple of years was you lumped it under grant funds and I get that is a range of things. Do you see any opportunities for us to get similar funds coming in or that seems to me that was more of a one or two time deal?

Elaine Forbes - There is future opportunity. The 2008 decision of the city to add the Port to the General Obligation for the Parks is proving to be an ongoing relationship and it's now the Rec and Park and Ports Bond and the next one will be placed on the ballot for 2020 per the schedule of the Capital Planning Committee. That's an ongoing source for us and it's one of the biggest contributors to this line and a game changer to our position.

We were very successful in prior years with homeland security grants and with award appropriations and that will continue but at a slower clip and one of the things that it's difficult here as we do projections of contributed capital is we know near term that as we look out, the fourth and fifth year get very murky so hopefully we'll do much better than I'm showing here.

You see a huge drop-off in the last year to only a million plus and our general rate is more like \$20 million but we just don't know what those opportunities will be and they vary so I don't do a straight line because they are so dependent on making the relationships, applying for the grants, making the business case of the investment or the public's case, etc.

Commissioner Katz - In terms of trying to maintain a State of Good Repair, you know that's also a difficult one to project, have we looked at any potentially large issues that we might be facing from that standpoint or expenditures?

Elaine Forbes - We've known since 2006 that we're under-investing in State of Good Repair. When we look at this depreciation line which is a good indicator of what we ought to be spending, it's almost double of what we're spending with our Capital Budget. It's not quite but it's close. We've done a lot of work to make our capital investment stronger with the 20% capital policy so it's always our strategy to push whatever surplus earnings we have or net income into capital and to hold down operating expenses to the extent possible. The risk you're pointing out is that the backlog continues to grow and that we can't keep pace. The inflation cost on our backlog becomes such a large number that we can't chip away.

That's not the experience you'll see today because of the prior investments, the position we're in, our expenditure plan, but the risk of not having enough for State of Good Repair is just an increasingly long backlog.

Monique Moyer - I thought that was a really excellent question and in listening to the conversation, I'm reflecting back on my arrival at the Port when we were dramatically cutting our budget. In the first 10 days I was here, we cut it by 20% which was very painful. If you were to look at a five-year projection then, the numbers were much more horrific than this five-year projection is now. The lessons learned in the historical presentation of Elaine's report are important and it has been that the Capital Plan has helped us to guide our investments but also to guide our negotiations with our regulatory partners to be more persistent and effective in seeking grant funds when we have been shut out in the past.

One example of that has been with respect to expenses of the ship repair yard and the water basin that is there. Daley Dunham who's here and others have worked very hard to help get us reclassified from a federal perspective to be eligible for those grant funds. In 2006 our Capital Plan showed that we would lose eight piers. One of those piers was Pier 38. We now have a new plan for that. One of those piers was Pier 31. We now have a new plan for that. We continue to work at these things.

But as we went along negotiating the master permits for both the cruise ship terminal and the America's Cup, we worked very hard to try to direct those investments into State of Good Repair. Some of those investments were the removal of derelict facility, Pier ½ and piles in the Pier 64 area. Those are really important. One of those was repairs to the aprons around Pier 19 which has the dual purpose of giving us exiting to be able to put more population in Pier 19.

That has a direct public benefit for public access but also a revenue benefit. I think the steps that we've taken over the last five years, culminating with the adoption by the Commission of the designation for capital has really helped drive those conversations. The takeaway that you all have perhaps appropriately

focused on is we're not done. It wasn't the magic bullet we really need it to be but I hope that looking backwards gives you confidence that we have the ability to look forward and take action, it's just not going to be easy.

Commissioner Katz - You stole a few of my closing remarks.

Monique Moyer - Please reiterate for the record, it would be music to my ears.

Commissioner Katz - I do really want to commend you and the staff and also Elaine your team for what you've put together and having seen and probably Kimberly you really know better than any of us where we've been and where we are today, it really does reflect a tremendous amount of work and effort and the concerns that we've all raised are being thought about and are being addressed well. I want to thank you and your staff.

Commissioner Woo Ho - I want to make one more comment in order to be clear. In terms of what I think would be good for the Commission and the staff as far as the next step is concerned, I always think that it helps to do the "What if?" scenarios and to understand where the opportunities are. We're making the case today that we have to look at this a little bit more urgently and dramatically to make sure that the trend lines of the future mirror more of what we've seen in the past and to improve upon that.

I do appreciate that you've put a lot of conservative assumptions and you have mentioned that management intervention will be necessary. The request that I would make is if you could look at the variables and the ones that you've mentioned and say, "What would they be if?" It helps that you prioritize on what you should work on faster in terms of what could change the trajectory that you've now put as a baseline.

If this is something that perhaps could be brought back to Commission in another six months so you can see if this is with the benefit of more thinking and more analysis and to work with the Real Estate Division a little bit more on a granular basis and to make everyone aware whether it's in maritime or real estate, what are any of the turns that can be turned over to be looked at so this is not just a pure financial exercise.

This really requires everybody's involvement from a business standpoint to work forward. The other thing I mentioned is it's always nice to have a goal. It's a little bit different in the public sector than the private sector, but you're going to get close to \$100 million. I would challenge you, how soon can you get to \$100 million in revenue maybe closer than this forecast?

Elaine Forbes - Thank you those are excellent questions.

Commissioner Murphy - Great questions and great answers. This is a great report. Perhaps you do not have this information for me right now but maybe you could get it. How much approximately or what percentage do we put back into

the Port every year like for infrastructure and repairs and all that stuff. Would you have any idea?

Monique Moyer - We're going to be able to answer that in the Capital Plan item. There's a table to that effect, but our policy is to try to reinvest 20% of our operating fund.

Commissioner Murphy – So it's about 20%.

Monique Moyer - More or less.

Elaine Forbes - It's between two years, the current budget and what we designate the capital, what we set aside for the next year. The actual Capital Budget is not 20% of the revenues but we are moving to 25% per your policy in 2018 so that will push us closer to that number. When Meghan Wallace goes over the budget, she'll show you exactly the percentage of the revenues that are going to the Capital Budget, I believe it's 15%.

Meghan Wallace - Over the last five years, we've averaged around \$13 million dollars a year, anywhere between \$10 million on the low end and even over \$15 million on the high end over that five year period.

Commissioner Murphy – Perhaps I missed it in the report but what is the percentage of vacancy rate for everything in the port such as parking, restaurants, piers? Is there any room for revenue there?

Elaine Forbes - You didn't miss it in the report. We didn't cover vacancy rates. Between the Executive Director and our Real Estate Finance Analyst, we certainly have those numbers and can get them all to you but I don't have them on the tip of my tongue.

Monique Moyer - Overall vacancy rate for all products is about 8% if I remember correctly. In warehouse space it is 0.03% that we have virtually no warehouse space left except for some very odd configurations. We have zero restaurant space that is vacant although we do have a vacant that is under construction, that's the former Jelly's, so we should see that revenue come on line.

We do have a restaurant that eventually we will inherit from the redevelopment agency that's in bankruptcy right now so there might be an opportunity there. We have a vacant retail space, retail/restaurant opportunity at Pier 33 which you'll be hearing about at your next Commission meeting but more or less those vacancies are pretty low. I forget the office vacancy rate number and I don't believe we have any parking stalls that are vacant but we mostly sell parking on an hourly basis per our permits. That covers most everything and then on the maritime side there's capacity at the cargo facilities probably.

Commissioner Murphy - How about on the ship repair side of it? Could that be expanded?

Monique Moyer - That's a great question for the Director of Maritime.

Commissioner Woo Ho - I think Nate could tell us what assumption for vacancy did you put in the forecast?

Peter Dailey - The ship repair capacity in the last five years has grown. The total revenues by BAE Systems has gone from about \$35 million to about \$60 million so we have really grown that business to unprecedented levels. There's a finite amount of days with the drydocks we have. If we could get another drydock that could increase our capacity going forward but right now that is reaching the end or the high part of its utilization.

Elaine Forbes - What we'll do with vacancy rate is provide a table that details the vacancy rate of the various types of facilities and we'll send that over to the Commission. It is going to be in the preliminary official statement that you'll hear in two weeks. But neither Nate nor I can remember the figures but so we'll get it over to you.

Nate Cruz, Real Estate Division - The vacancy assumption for the forecast that you've been presented with is basically a stable rate. I don't recall the exact percentage so I apologize for that but it includes a similar very low vacancy rate which the director just pointed out. We talked a little bit about granularity of the forecast. For the commercial rent piece, we've been very close to actuals. Our budget and actuals have been within about a percent in fiscal year 2012-2013 and the methodology there we've sort of kept true to prior periods. Where I had been a little bit too conservative is in the parking forecasts and based on the conversations we had about this in prior years, I got a little bit more aggressive in it and so hopefully we'll see a little bit tighter performance to actuals or budget to actuals in the future.

Commissioner Woo Ho - So the question really would be is the vintaging of the leases. Do we have leases that were executed a long time ago and even with CPI increases if they were to come onto the market today, would the jump in rent be a little bit more than just CPI?

Nate Cruz - In some cases it certainly would and in some cases we don't know. The individual leases which will expire in the two year budget window, we don't individually address what might or might not happen to them as a general assumption. We assume that those leases will continue on either under the current tenant's name or they'll be released under similar terms to somebody else. Because of that tight sort of under 1% actual to budget number, I'm a little wary about turning the dial up in the aggressiveness just because we want to make sure we don't over-budget and have to do sort of mid-year.

Commissioner Woo Ho - I'll ask the question in a different way. Sometimes you have to just understand the vintage of your leasing portfolio. Is more coming off lease or expiring that it typically has in the past? I hear what you're saying in terms of actual versus budget as being very close. But if all of a sudden you

know a higher percentage is coming on stream for renewal or expiration, then that is going to change your forecast.

Nate Cruz - We do that analysis as part of our continuing disclosure to the bond market. We look at the tenure of all of the remaining leases and how much revenue is still under contract in the near future. We can provide you with that analysis.

Commissioner Murphy – Do you have a system in place to evaluate these leases every couple years or something like that?

Nate Cruz - Yes, we do the continuing disclosure annually and so we take a look at in chunks how much might be expiring in the near future.

B. Request approval of the Port's Ten-Year Capital Plan for Fiscal Years 2015-2024. (Resolution 14-08)

Ann Carey - I'm on assignment to the Port to do this year's Capital Plan. I'd like to acknowledge my predecessor, Daley Dunham, who essentially designed the plan and has carried it for many years and now I've inherited it full blown which has been a big help, a great starting point and also the direction that I received from Elaine Forbes and Brad Benson and, of course, the invisible hand of your Director Monique Moyer.

This is an approval item if you choose to approve it today. In the array of all the financial items, it's the Capital Plan.

Unlike the five year financial projection which you just heard which contains the trends and financial projections for the entire enterprise or the upcoming Capital and Operating Budget which you'll hear next, the Capital Plan focuses on capital investments over the next 10 years. As such it's more of a strategic planning document and reflects the Port's priorities and values. Elaine alluded to this that the Capital Plan represents a guiding document. It provides an estimate of the amount of capital investment needed to maintain the Port's facilities in this State of Good Repair which we've talked a little bit about and you'll hear a lot more about over the next 10 years.

It also has a projection of funds that could be available during that same period and applied to those capital needs and a plan of finance which maps out how the Port intends to utilize the existing and potential new sources of funds to maintain the assets and enhance our portfolio.

It also has an estimate of the capital need that remains at the end of that 10 years and a discussion of some of the strategic issues that may pose a significant challenge to the Port in the future. Every two years the city adopts its own citywide Capital Plan and the Port's plan becomes a part of that which is very helpful to us to ensure that the Port needs are given a broader

consideration in terms of funding opportunities and the partnering that Elaine mentioned in terms of GO bonds and some other things like that.

The next update to the city's Ten Year Plan is in 2015. So we're doing this for the Port's benefit only this year. The plan has guided nearly \$196 million in non-developer funding since the inception in 2006. Some of the highlights from the Port's 150th anniversary year include the projects that are listed here. You've heard them mentioned before so I won't go through them again but they're very significant achievements. The project expenditures are reflected in the changes in the Port's financial position that Elaine described earlier.

The Port Commission established a set of criteria to guide capital investments. These criteria were used to set the investment priorities and to allocate the capital funds to specific projects in the Capital Budget. The first criterion emphasizes the importance of maintaining revenue generating assets to protect our income and build the future capital capacity, that is keep building in assets that we can lease out and generate more revenue and support bonds and make more investments and that whole cycle. That's a very high priority we've tried to focus a little more on it this year.

The other criteria reflect the Port's public trust priorities such as good stewardship of our assets, promoting maritime and industrial uses, increasing public access particularly with new parks and open spaces that are also improving quality of life for the city and building partnerships that leverage external sources. Those partnerships and external resources play a very important role in addressing the capital needs identified in this year's plan.

Port staff utilizes the city's database to track all of our capital needs. Every year we update that database which is what's arrayed in this table. We start with the prior year plan, in this case it was 2014-23 where we've completed projects. We delete those costs from the various elements. We may have also completed a project at a lower cost and the entire cost estimate comes out even if we spent less.

Sometimes there are project savings that also reduce the backlog. Similarly new cost estimates are loaded in. I'd note that most of those this year are generated with, or associated with the development projects where there are more detailed design and engineering estimates for those projects as they've become better defined going forward.

I'd note also that some of those project costs have increased and some of them have decreased so it goes both ways. Similarly doing the Ten Year Plan we add a new 10th year. The prior year drops off, sometimes rolls into backlog and then we gain a new 10th year and finally the Controller's office designates the inflation factor that's applied to all costs in the plan and that's based on construction cost indices.



I want to emphasize that this table shows the estimated cost or need for capital investments. The changes are not necessarily actual expenditures. This is just a cost table. At the bottom even with all of these adjustments, the Port's 10 year need remains relatively unchanged from last year of \$1.59 billion. At current spending levels, we're barely holding our ground year over year as inflation and renewals add to the cost even as we work projects off.

There's another \$463 million in what we call conditional seismic work and that may or may not be required to be made over the 10 year period. So as such, we show it separately but we don't add it into the total need.

In the pie chart it shows a breakdown of those elements again as maintained in the database for State of Good Repair, the \$1.6 billion is broken into the three elements, the backlog, which essentially equals our deferred maintenance. What's already on the books and what we haven't done. It's not the same as the capital appreciation number that Elaine referred to.

In fact this number isn't part of hers. Hers reflects the next item which is the renewal. As we go forward over the next 10 years we expect subsystems to wear out and have to be replaced. That's what the renewal costs represent. Costs we will incur for our existing facilities as they age and as they require repair or replacement.

There's also a category called "One Time." These are non-cyclical items. I'd note that we have a big project in here for repairing the under pier utilities. It's not driven by annual renewals but sometimes driven by code changes and such. These items we are characterizing as one time. I'd note that in some cases they are backlog. In some cases they're things that we'll incur in the future. We'd like to do a better job in going forward of trying to parse those out and throw them into one bucket or the other. For now they're kind of a big category called "One Time."

Again that seismic item is the conditional cost which may or may not be required and that is depending on whether there's a change in use or a major rehab of a facility that would trigger building code requirements that we would then have to do seismic. Because we don't know at this time if and when seismic will be triggered, and in some cases we try and define projects in a way that does not trigger the seismic repair need, we do not add it into our State of Good Repair needs.

We're going to continue to refine these as we get better information based on from inspections and facility assessments, as we have better designs for the development projects and as near term repairs are completed. We expect this number to continue to change from year to year. The costs could go up and they could go down. Hopefully we'll see them go down.

Now to the sources of funds - we've identified \$1.14 billion in the 10 year period and this year we've tried to take this slightly different characterization of it and

broke it into these two broad categories. The first, shown in blue, are the internally generated funds. That is sources that are primarily within the Port's control, utilizing our existing assets. For example, the annual allocation from the Operating Budget is here and the Port debt that's supported with our Port revenues and also tenant improvements. A number of tenants with long-term leases have responsibility for maintenance and capital improvements such as this building and Pier 1, the Ferry Building, Fisherman's Wharf areas.

In the aggregate those sources are projected to generate 37% of the total revenues in the plan. In green, we see what we call "externally generated funds." That is those sources that require some sort of partnership with an external party. For example, the general obligation park bonds. We've partnered with the city sponsorship we've partnered with Rec and Park. Our federal, state and local grants are all reflected in those small pieces near the bottom of the circle and then development projects that are partnerships.

I'd like to point out that that's not private money necessarily. A lot of the development projects generate public funds in the form of tax increment that we can then apply to the benefit of those project areas. The development projects are very significant in terms of contributing all of 43% to the total funding in this pie. To add up the two slices that are the Port Capital Budget and bonds, that's about 16% over the course of the 10 years.

To get to the point of how are we going to tackle this fairly large \$1.6 billion problem, our internal money is not going to do it alone. We need to build these partnerships. It demonstrates the importance of maintaining that strategy.

Uses of the funds - Again we're trying to show the funds going towards not only State of Repair but in some cases there are enhancement projects that will be supported with these funds. For example most of the General Obligation Park Bonds support new parks and open space that enhances public access to the waterfront.

Similarly the proposed development projects add new infrastructures such as roads, sewers, streetlights, etc. That while those development projects may address a component of State of Good Repair, they'll also have an enhancement element to them so the funding is often split between them. It's analogous to the redevelopment projects. Those development projects that we're trying to sponsor with the IFDs but for that project, there would be no tax increment to support that public infrastructure investment and those investments are necessary to increase the land value and support higher uses in those areas. They're a critical component.

The next pie is the same information arrayed a little bit differently, again showing where the uses of those funds go. The good news in this plan is that of the \$1.4 billion, we're applying 59% of it to address that State of Good Repair need that we have. Thirty four percent is going to enhancements and some that's going to seismic the bulk of which is represented by Piers 30 and 32.

Overall, the plan strikes a good balance between maintaining State of Good Repair and making investments that enhance our assets and add value to the balance sheet. Also you can discern that most of the Port's internally generated funding sources are going to State of Good Repair. The money that we control directly and generate with our assets, we're putting back into our assets to protect that revenue base. Whereas a lot of the enhancement projects are more dependent on those external sources. That's what put a little bit more at risk if we don't realize all of them.

Turning briefly to five of the development projects that are scheduled to get underway within the 10 year period, all of the projects do have a component that addresses the existing backlog of repairs within each project area while two of the larger projects also address seismic conditions or add enhancement such as utilities, streets and parks. For example, Seawall Lot 337 is currently bare ground with some asphalt on it. The intention is to use that increment to fund streets and sewers and lighting and sidewalks and parks, so there's a lot of enhancement associated with that.

The projects at Pier 38 bulkhead and the Orton's Pier 70 component both conform to the existing waterfront height restrictions that are currently enforced. The expenditures at those two sites that are shown here are entirely for the repair needs for those facilities. There will be additional expenditures but they will not be on the Port's budget. They're addressing a lot of the backlog for those two.

Taken together, these five development projects as Elaine mentioned, fund \$243 million in State of Good Repair so they are making a significant contribution to our ability to work off that backlog. Over the 10 year period, development projects represent 36% of the funding that we've identified for the funding of State of Good Repair. As it is stated in the Waterfront Land Use Plan, these and other development projects remain the principal drivers on potential waterfront improvements. Perhaps one of the biggest risks to the funding strategy would be, as Elaine mentioned, a change in the real estate market or a change in the political climate vis-à-vis waterfront development. We'll need to watch for that.

Unfortunately, there is some red in this plan. This use plan projects a greater amount of funding going towards the State of Good Repair projects than in previous years. As I mentioned, we're funding about 42% of our total need in this 10 year period. If all of that funding that's projected in the plan is actually realized, at the end of the period, we'll have met about 42% and we'll have about a \$921 million unfunded need.

The trend here is good in that it's getting smaller but it's still a very big nut to cover. As I said, the State of Good Repair at the end of this Ten Year Plan, we'd have a \$921 million need or backlog. We'd also have seismic conditions which for the most part we haven't addressed because we don't know if they'll be triggered. There is some but there's potentially \$385 million more.

There's a number of emerging issues that we've identified in the report and that could add to this need. In particular protecting the sea wall from sea level rise, what to do about our red and yellow tag facilities. There are a number of them outlined in your report. We need to continue to address the risks posed by our vulnerable under pier utilities in response to our agreement with the Water Board. We want to try and do something to reuse and revitalize our underused assets such as the Southern Waterfront and the AC34 venues.

Dredging is always a tricky item. It seems to always go up in terms of cost and takes -- since it's funded out of the Capital Budget. It continues to take a lot of that capital capacity that would otherwise be available to apply to State of Good Repair. So while the current Ten Year Plan shows an improved outlook by identifying potential funding sources to address 42% of the repairs needed, clearly more work needs to be done if we're going to maintain and bring all of the Port's properties up to a State of Good Repair and put it into productive use. To do that, we're going to need to build partnerships. We're going to have to make trade-offs. As President Obama made in sort of an airy-fairy comment that, "Hope is not a strategy." So we need to a little better than just hope.

I will just go quickly through the maps that show the allocation of the capital projects by geographic area. What these show is that there are project all along the waterfront that are going to be addressed in the Capital Plan and that there's a mix of funds used in each area.

For example in the Southern Waterfront you'll see sources including the Port Capital Budget, development projects, grants, private equity and such. There's quite a mix in terms of both the distribution of where the monies are being spent and how different color money is being used in different places as the map so elegantly expresses.

In conclusion, as I said at the outset, the Ten Year Plan is the Port's guiding document for capital investments. It does not appropriate funds for specific expenditures. That's something that you'll do with the next item, with the Two Year Capital and Operating Budget. It is the document that we will use as we go forward and try and build these partnerships, seek support from our partners internally and bring back to you on a regular basis. We're seeking your approval of this Ten Year Plan today.

Corinne Woods - I've been reading the Capital Plan all weekend. It's riveting. The Port has come a long way since the first Capital Plan was put together. Obviously we have a long way to go. One of the scariest things to me is the fact that so much of the Capital Planning is based on development projects with outside partners and as was mentioned both here and in the previous column discussion, we need to talk about the political climate vis-à-vis waterfront development.

You can't talk about the waterfront height initiative, you're not allowed to. It's important if you are in conversations with policy makers, particularly the Mayor's

Office that they understand how critical these development partnerships are to the Port's survival. Because without this infusion, both for a State of Good Repair and for enhancements, I don't know how you get to the future.

I will be advocating for the Port for moving these projects forward even though I don't always agree with them but it's important to keep the process moving. It's important that decision-makers, the supervisors, Planning Commission, Mayor's Office truly understand the restrictions that the Port is under and how critical these pieces are. If there's anything that a member of the public can do to help, let me know.

Commissioner Woo Ho - First of all, I want to commend the staff that this year's presentation of the Capital Plan has taken it down and relatively speaking, more granular, more categories, explaining the external/internal funds as well as the different categories, the separation of seismic and the other projects.

I want to commend Port staff because we're beginning to sort of peel the onion more and understand it and there is light at the end of the tunnel though it's still a very overwhelming task in front of us. I want to also thank Corinne for making her statements because the takeaway that I took from this report, that we want good development. We want balanced development.

The only way to really crack this nut is to do more development and faster development. As we just saw in our financial projections, the allocation of internally generated capital funds from our operating revenues, we're never going to get there. In the meantime, that means the waterfront will continue to deteriorate. It is important to understand how we can use a healthy balance between what we need to do and be able to move this backlog of state of needed repair as well as enhancements and to balance that with all the other objectives we have. I don't have specific comments on the particular numbers except to say that the takeaway is that this year you've given us more insights on how to work the issue.

Last year, we were just overwhelmed with the numbers. The insights are very useful and hopefully we can all work on it together. As Corinne mentioned, we probably also have to work with other partners in the city to see the picture appropriately.

Commissioner Murphy - Thank you for your report. I concur. I believe we're on the right track and we should definitely move forward with responsible growth.

Commissioner Brandon - Thank you very much for this very well written report. I too had to take a couple of seatings to read it because there's a lot of information. What I can't figure out and maybe I missed it, and it's probably in here is what are we spending this year and where is it going?

Ann Carey - That will be coming in the next item.

Commissioner Brandon - So you want us to approve it but tell us about it in the next item?

Ann Carey - Let me clarify that this is the Capital Plan which is a policy document and guides our efforts in terms of our strategies for seeking funding and prioritizing projects. Appropriations and actual expenditure of funds to specific project is included in the Capital and Operating Budgets which you'll hear next and that will have the two years specifically.

Monique Moyer - But you're asking about the current year. Perhaps Larry can answer that. We're not looking at current year in the next item. We're looking at the forward two years. Larry, would you have that info handy for the Commissioner?

Larry Brown – No, I don't have that information.

Commissioner Brandon - My next question is I saw that we were setting aside \$500,000 for an EIR for the Southern Waterfront and I'm just wondering what it is we'll be studying?

Ann Carey - The concept is to have a somewhat generic plan for the area that we would take through the EIR process so that we can get over those hurdles. Get the conditional approvals that we need so that as opportunities arise we can take advantage of them more quickly.

Commissioner Brandon - What type of opportunities will we be studying?

Monique Moyer - We're still working on that.

Ann Carey - But they are maritime and industrial uses.

Monique Moyer - Yes, they wouldn't be like new office or housing or something like that. But in terms of what we're actually going to be studying, we're still coming together as staff. But because of the budgetary process that's before us, we put some money in there as a placeholder. I don't know Diane if you want to speak to any more detail about where we are in the thinking so far. I do want to emphasize, it's pretty preliminary.

Commissioner Brandon – The money will be set aside but before anything is actually done, you'll come back to us and tell us exactly what it is.

Monique Moyer - We can. I wasn't here for the last one. I don't know how we've done it in the past.

Commissioner Brandon - Generally the Commission has to approve it.

Elaine Forbes - I'll make my first comment. For the contract approval itself, it's \$500,000 assumed for a professional services contract to hire EIR consultant,

perhaps augmented with Planning Department staff to scope and conduct the EIR. The Commission would approve the request to contract and see the scope at that time. There may be other avenues as well for Commission review.

Commissioner Brandon - I'm just trying to find out what uses we're trying to have more of.

Monique Moyer - So are we. Diane, maybe you could explain for what brought us to the need for doing a new EIR and then when we come back for the contract approvals or whatever we come back with next so we could share more vision.

Diane Oshima, Planning and Development Division - Years ago, and Commissioner Brandon will probably remember this, there were a number of different leases and Port projects that we wanted to do in the Southern Waterfront and we did do an Environmental Impact Report to cover those. That included the Illinois Street Bridge, probably the biggest one of the improvements.

That EIR, it was done so long ago, that it actually is no longer current in terms of providing information about environmental impact. If we're going to be looking at proposed improvements in the Southern Waterfront, we would have to undergo CEQA again.

It is preliminary but generally speaking Maritime has a number of cargo marketing efforts underway that the Commission is familiar with and proposed improvements to our maritime piers plus any potential new leases for facilities in the backlands or the Southern Waterfront areas would require environmental review in order to proceed.

While this is projected, we think that an EIR is likely to be required as part of the CEQA process. We haven't had any formal discussions with the Planning Department staff to determine that. Because we're still in the process quite frankly of formulating what are the actual uses and improvements that we would like to pursue for the Southern Waterfront. One of the things that we have done in the past and maybe it makes sense to do it here is prior to going forward with the EIR is to have an informational presentation to provide more details about some of those uses and improvements so that the staff besides myself, because I'm not necessarily in command of all the details, can address them.

Commissioner Brandon - Thank you, it would be great to hear about what the plans are for the backlands because I know several years ago we started a planning process that never really materialized. Since then I hadn't really heard about what we were thinking about doing with the backlands.

Monique Moyer - I don't disagree. The reason I can't answer your question is we know in this two year budget, we need to work on this but we don't have the specificity of what it is that you're looking for today. You haven't missed anything I guess is the point that I want to underscore.

Commissioner Katz - A central way of looking at it is that this item is a placeholder so that we can go forward with the work that we want to do, once we figure out what we want to do?

Monique Moyer - Yes it is. At some point we think we know that for example the recycling center will be moving and what might become of that. I'm not sure what its timeline is. We have some inquiries about the properties that were coming up on and you know the issues that Diane just made that would require us to not be able to accept them. We know there's a forthcoming issue. We just don't have any answers yet so we'll definitely come back in some fashion.

Commissioner Brandon - I really would appreciate an informational presentation once you figure out what it is you want to do or what you're looking to do.

Monique Moyer - Absolutely, that's not a problem at all. It just may take a while. We're just getting started.

Ann Carey - I'd also just point out that this is one of several investments that we're making to advance projects. It's not a project yet. It's the preliminary work and so we're trying to do that in several areas where we've funded a study for example, like for the sea wall and sea level rise that will help us, will inform us and help us get over some of those hurdles so that we can then take them more fully defined to the next stage.

Commissioner Brandon - I don't understand what the hurdles are that you're discussing. Are there hurdles?

Ann Carey - In some cases there may be CEQA requirements for the next use, that's my understanding.

Commissioner Brandon - What type of use? That's what I'm trying to figure out. What uses are we considering?

Ann Carey - That's to be defined.

Commissioner Adams - I appreciate your presentation. There's a lot of transparency there and it's really fluid. I appreciate the comments of my fellow Commissioners. Mel made a good point about being responsible in the growth of the waterfront and Commissioner Woo Ho made a reference of getting partners. Of all reports that I've heard today, we've got to continue to grow our partnerships to move forward. I appreciate that transparency and the Commission have to continue to work in that direction because this is going to take a lot of heavy lifting to get to where we need to get to but it's achievable.

Commissioner Woo Ho - I had one more question. I understand it in your more detailed Capital Plan, we know that sea level rises obviously not reflected except at this point, two things that are going on. One is the study, combined with the

Capital Planning committee of the city, BCDC, and Dutch Knowledge for Climate program regarding the sea level adaptation strategies in the Mission Creek.

Then in the next paragraph of the report you talk about the allocation of \$500,000 to a multi-agency study which references the United States Army Corps of Engineers. Are these two separate efforts? I just wanted to clarify that. Secondly, while you can't quantify anything at this time, I'm hoping that you might be able to say that by the next time the Capital Plan is presented to the Commission that there will be some preliminary estimates because sea level rise is obviously a huge strategic issue and that there would be a better sense because this will be added to the Capital Plan at some point. We have no way of knowing what the size of the effort is and also under the multi-agency study. Is BCDC involved? It seems this is really not just a Port of San Francisco issue. It's a Bay Area wide issue.

Brad Benson, Special Projects - Regarding the first expenditure described in the Capital Plan, it's a grant agreement with the Dutch Knowledge for Climate program. The Commission previously authorized that grant agreement. There we're working with BCDC and some of our development partners in the area.

Commissioner Woo Ho - So it sounds like those are two separate efforts.

Daley Dunham, Special Projects Group – Yes, that's true. The second effort we've been working in parallel because it is appealing to the Army Corps of Engineers under their Continuing Authorities Program. It's the same kind of program that we're using to pursue funding for the Central Basin. It's just unpredictable. We can ask for funds but we don't know if it's going to be assigned because the national pot for this kind of funding is very small. We've been pursuing it in parallel and we've just heard in the last six weeks or so that it looks like we are going to get a small amount of money to start this process through the Army Corps of Engineers. The Project Manager on their end was deployed to Afghanistan, is going to be back next month. At that point we'll be able to figure out how these two efforts can plug into one another or can create some synergy or how we'll manage that.

Commissioner Woo Ho - Let me just clarify. I thought I read here that we were allocating \$500,000 out of our Capital Plan and then you're talking about getting a larger pool of funding from the federal government? Or we're asking the federal government for the \$500,000?

Elaine Forbes – Actually, there's three efforts. The two year Capital Budget allocates that \$500,000 for the Port's contribution to a multi-agency study of the strength and seismicity of the seawall. The answer to the initial question is we are trying to get a sizing on the cost of the seawall as well as the plan to address sea level rise. We understand based on what we discussed in the last presentation that the Port's balance sheet clearly is not going to be an adequate source to address either the seawall or sea level rise unless it's much less expensive than anticipated. We're putting forward efforts to seek partners, open

the door to future funding, and develop strategies together about how we'll finance these very important future capital needs.

Monique Moyer – Commissioner, you raised a good point when you asked what BCDC's role is. We talked to you previously about sea level rise and the sea wall fortitude hand-in-hand and in recent months we've come to a process through agreement with the other city agencies and regional agencies that there is a group led by the Department of Environment that is addressing sea level rise which the Port is a party to but we are not leading that effort.

The effort that we are leading is for the sea wall in particular seismic risk. We are following direction given by Mayor Lee, we are putting together an inter-departmental task force to work on what does that program look like and how do we start to assess what the need is. I don't for myself see us having concrete numbers by the next Capital Plan update. We might have some very large projections. The work is getting underway and we will be coming to you to retain a consultant to help us analyze that work on the sea wall. That responsibility has been designated to the Port to lead.

Monique Moyer - There'll be a lot more coming to you on these topics as they evolve.

Commissioner Katz - I want to thank staff. Usually we give you short shrift with these items at the end of the agenda, so I appreciate your coming at the beginning but now you have to suffer with more of our questions than usual. One thing I would like to say if we could talk about the sort of funded items in the Capital Plan but if we could get a report at some future point in how we might start thinking about addressing some of those unfunded items so that ties into some of the questions my colleagues asked as well. I'd appreciate if we can get a report back on that at a future point.

ACTION: Commissioner Brandon moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor. Resolution No. 14-08 was adopted.

Commissioner Mel Murphy left the meeting at 5:20 p.m.

C. Informational presentation on the Port's Fiscal Year 2014-15 and Fiscal Year 2015-16 Biennial Operating and Capital Budgets.

Meghan Wallace, the Port's Budget Manager - As a number of people have commented, now I'm going to be reporting on the Two Year Operating and Capital Budget which is where the rubber hits the road in terms of all of these projections that we've been talking about and how we're actually putting resources in place.

Something that really came forward from the financial projections is how we need to control operating expenditures and recognize the trade-offs of seeing

the Operating Budget growth and how it eats away at our ability to invest in capital. We've seen this in a number of places, the Five Year Financial Plan that I reported in prior years talked about future operating deficits and potential reductions in investment and capital. Now we're seeing a projected decline in net income from the financial statement's perspective.

The Operating Budget that you're going to see actually focuses on controlling expenditures. We allowed for about 3% percentage increase based upon prior year actuals both for operating expenditures and revenues. We tried to recognize known changes. There are just some things such as rate increases, work order agreements for services that we rely upon with other departments in the city, other strategic strategies that we need to fund such as staffing. We'll go into details about that.

There are Port staff that are focusing on a new marketing initiative to help identify new funding sources and make sure that assets that we've invested in such as the James R. Herman Cruise Terminal gets the best foot forward and can generate the best revenues possible for us.

Additionally you'll see that the budget includes a new project budget that is focused on development projects, both the expenditures that the Port has to make in order to complete projects such as the Warriors Arena, Pier 70, the Forest City and Orton Projects, Mission Rock, etc. The Port has had to make expenditures and this budget reflects those costs as well as the developer reimbursement for those expenses.

It's important to highlight that, in addition to controlling growth, we're meeting our policy requirements of 15% operating expenditure reserve and a capital policy of designating at least 20% of operating revenues either towards direct capital spending in the budget year or designating surplus revenues toward future capital.

The first year of this two year budget, fiscal year 2014-2015 you can see actually grows by \$10.5 million or 10%. Now we're at \$115.9 million. That growth is quite significant but it's critical to point out that \$4.2 million of that growth is this development project that I had mentioned and \$6.6 million of it is operating revenue growth. That's a reflection of the health of the revenues that the Port is generating.

The main ways that these funds are being spent, development projects are a direct offset to the reimbursements that we're getting from development reimbursements so that's budget neutral. Even though the budget has grown by \$4.2 million, we're spending money and we're bringing it in.

Then the other half, the operating revenue growth -- we're only growing operating expenditures by \$3.3 million, so it's 4.5%. Like I said we want to allow for at least 3% increase in spending, costs go up so we have to accommodate

for that. Then on top of that we have additional debt service that reflects our investment in capital, rate increases and the like.

We've managed to keep the Operating Budget growth relatively low at \$3.3 million, and the rest goes to our designation of capital. In the second year, our budget grows by \$5 million, 4.3% and all but \$800,000 of it is designated to capital. Again the priority here is investment in capital. We're trying to put the money away.

We're recognizing our operating revenue growth and aside from that first year where we have some important investments either for existing costs that are just going up or for some strategic investments that I'm going to go into more detail about, other than that growth, we're investing in our designation.

I want to talk a little bit about the trends and here I've set the slides up to talk about the two year period for fiscal year 2014-2015 and 2015-2016. Of the areas of revenue that are growing in the budget, parking is the largest piece. Commercial/industrial rents is the second largest and cruise is the third. It's really great that we have a very strong maritime presence on this item, particularly a lot of it is driven by the opening of our new cruise terminal.

The other element for parking and commercial/industrial rents that's really important to note is that the return of the 34th America's Cup venues to the Port is actually allowing us to bring those venue sites back online for interim parking or releasing. Those are pretty large drivers of this growth over the next two years.

Here I'm showing how we've actually done on our revenues going back to fiscal year 2010-2011, you can see a steady growth in our revenues. Right in the middle there, I show the 2013-2014 budget. I highlight it because you can see it dips below how we've done in prior years. You can see that in the 2014-2015 and 2015-2016 budget, we've actually budgeted more. We're showing that we're trying to get those budgeted revenues closer to what we think we're actually going to generate and be consistent with those prior year trends so that we can identify the sources that we're going to designate to revenue.

Then for expenditures, I also show the two year growth. As you can see, salaries and fringe is a huge investment. Our people are obviously a critical part of how we run the waterfront and of the growth over the two years, over \$2 million of it is just for salaries and fringe. It's important to note that about half of that is the cost of existing staff. Salary and fringe costs are growing and particularly fringe where departments are having to make higher investments in the two budget years because we're still replenishing the pension system after the recession.

After this point in time we should see a reduction in the growth of those costs. This is really just a push to replenish that system. The other half of that are the staffing investments. The Port staff had looked at a backlog of positions; they're



critical at approaching our strategic needs, where do we want to go as well as just a backlog of ways where we could just be more efficient in our operations.

The other element is other current expenses. They're costs related to running the Port such as janitorial services, security and the like. There's a financial policy that was passed through the city for how we managed certain costs in our budget. It's not something that's within our control so that's another reason why our budget grew. You can actually see that these growth trends are consistent with prior years. You can see as the Operating Budget grew, personnel, debt service and other current expenses are some of the main drivers of that growth in prior years.

As far as the personnel is concerned, there's \$1.1 million in that two year period of increased salary and fringe benefits and that increases our full-time position in our budget by 7.56 FTEs. We tried to address some key issues to proving efficiency and effectiveness of our operations, our maintenance division has actually identified a number of great ways that we can adjust our staffing in order to be able to manage workload, identify project needs and just get work done on a more efficient and effective way.

Two of the key ways of doing that, the 0932 Manager IV is a new Assistant Deputy Director for our Deputy Director of Maintenance. This person would serve a new role of overseeing a functional area of the port. By doing that, it would free up the ability of the Deputy Director to focus on more long-term strategic planning, other resource management and the like. That change along with reassigning the functional areas of the maintenance division to other managers would allow the maintenance division to perform more effectively.

To address a changing and complex environment, we're proposing to add a new finance manager to the finance and administration division. This position is critical for supporting the deputy director of that division to be able to oversee a whole line-up of finance related issues from long-term financial planning, capital planning, debt management which means being able to pursue the infrastructure financing district discussed in the Capital Plan. Without supplementing the Port's staff resources, it's going to be difficult to pursue these longer term analysis and support roles that we need in our staff in order to make the changes that we're pursuing with capital.

Improving and protecting revenue – in our Real Estate Division, the Property Managers currently have a workload of about 90 leases per staff. The private sector has between 25 and 30 leases per Property Manager, which is the standard. By adding a new Property Manager, it would bring the workload to about 78 leases per staff, that's still approximately three times more workload than the private sector. This will add resources to a division where there's a lot of need to help work with our tenants, protect revenue and identify new ways to pursue additional revenue by pursuing leases that have higher annual rents. The Asset Manager position would be focused on managing the Port's assets, make strategic investments and work with the real estate staff to get that work done.

The 1246 Principal Personnel Analyst position would be focusing on workforce development. Currently the Port works with the Office of Economic and Workforce Development and programs like CityBuild to get San Francisco's workforce developed and be able to invest in people who can come around and work for the port. We don't have a designated person at this point who can really focus on what we need and get the right staff and work with OEWD. We need somebody who can manage that. This is a substitution, converting a lower level class to this higher level to allow this person to take on this new function.

Temporary salaries are for project manager type positions that the Maritime, Planning and Executive Divisions would use to help implement development projects. As you know, we're working on a number of projects in the city and it's difficult to be able to get all of existing Port staff to bridge the gaps of working through the different pieces of all of the projects. This would allow the divisions to have additional resources to do that work.

We have our Capital Budget and what this shows is that we've budgeted \$12.8 million each year over the next two years. I have an allocation by areas on the port. I didn't go into a lot of detail but the staff report does provide it and if you want even more detail, the Port secretary has all of the project explanations on record as well.

Even though we're doing pretty well relatively speaking, there are some years that we budget just over \$10 million, other years we've budgeted upwards of \$15 and \$14 million, \$12.8 is doing pretty well. Going back to Elaine's presentation, talking about the depreciation and amortization schedules, you can see that we should be spending more like \$22 and \$23 million a year. While I'm supportive of our Operating Budget and believe that we've done a good job of keeping it from growing too significantly, it's clear that we have a long way to go before we really finance capital at the level that we need.

The \$5.2 million reallocation of previously approved funding is an indication of a delay in procurement of very large pile work related equipment that we realize that by moving the funds into the pier repair project, we'd have much more flexibility in how the funds are used. If that procurement gets on track and we're able to complete it, we can still spend it out of this project. If not, we can go ahead and use these funds to do critical repair work that's on our line-up over the next two years.

The next reallocation, the City Certificates of Participation (COPs), the \$3.4 million was part of the America's Cup project financing package. When Port staff came to you in September, we identified \$3.4 million of project savings and so that we'd be returning to you to figure out what to do with that funding. Staff is coming with a plan to spend those funds, approximately \$1.2 million on public restrooms. We have Amador Street investments that we'd like to make and then pier structures repairs. The pier structure repairs project is critical for all of that. We can just keep funding that project for the amount of work that we want to get our repair crew to address over the coming years.

I want to emphasize that this is a neutral change. I'm not counting it as additional capital spending because we're reallocating it from other projects and reallocating it to new priorities.

I believe that we've controlled our operating expenditures. It's only about 4.5% increase in the first year and both fiscal years we're allocating or designating significant amounts of operating revenue to future capital. We're showing strong revenue projections and as far as capital projects, Port staff was diligent in identifying those highest priority projects that are ready, not just high priority, but shovel ready, ready to move forward. If they're not shovel ready, we're doing things like seawall study and an EIR on the Southern Waterfront.

Next steps - At the next Port Commission meeting I'll be seeking approval of this item. If there are changes that you need to make then I'll report those to the Mayor's Office. In August I'll bring the final budget back to you and report any significant changes that occurred.

Commissioner Brandon - Thank you very much. This was a great report and you did a great job of summarizing everything. It's wonderful that we're asking for seven new positions. I'm sure they're much needed but I know that in the past we've limited that so how confident are we that we'll be able to get these through?

Elaine Forbes - We're not confident Commissioner. We're proposing what we know we need and what we need to manage ourselves efficiently. The process is that the Mayor's Office is looking to see very low rates of position growth citywide. The Mayor's Budget Director will be looking very carefully at our position request and we'll need to make the case that these positions are critical to the port. After that process, it will go to the Board's budget analyst for the same kind of review so we will be making the argument that these positions are needed for operating efficiencies or revenue enhancement. We will be very grateful if all of these positions survive the process.

Commissioner Brandon – That would be wonderful. Usually we get a supplemental binder that actually details the operating income and expenses?

Meghan Wallace - I can provide that to you for the next meeting.

Commissioner Brandon - That would be wonderful. Then the Capital Plan, usually we have a summary of all capital projects, not just the amount that we're putting in from the Capital Budget but the total capital project list that has grants and you know where the funding may not just be coming from the Capital Plan but we have a lot of projects that are being funded from other places. Because it seems like if we're just focusing on the \$12.5, \$12.8 million, it will take us forever to get through this \$1 billion+ in capital needs.

Meghan Wallace - I believe that that's an attachment to the Capital Plan report.

Commissioner Brandon - Attachment, I have B and C, and I have A.

Meghan Wallace - I think I know what you're talking about and it does come with the budget so it wouldn't be with the Capital Plan. I don't think we've done it in attachment to it last year?

Elaine Forbes - I can answer that question too. In previous years, we did a very detailed Capital Budget book that showed all sources and all uses and we haven't prepared that in the last two cycles because of bandwidth issues and just difficulties with the growing workload in the finance unit. What we do have is a very detailed description of where the Capital Budget is going in terms of projects which we've lodged with the Port's Commission Secretary and we haven't included it this time. That goes through the Capital Budget. We can break out our sources and uses for you if you'd like to see that.

Commissioner Brandon - It doesn't have to be that detailed; just a summary of all projects.

Elaine Forbes – Certainly, when we return in two weeks, we'll have that for you.

Commissioner Brandon – And the budget also, can I get that before then

Meghan Wallace - Yes.

Commissioner Woo Ho - There is an attachment to the report, you've seen it, attachment 2.1. It gives you a summary.

Monique Moyer - I think what Commissioner Brandon is referring to is we used to provide the Commission with this summary of what new funding but also what funding was in place on projects that are in progress, and that's a much larger report. To the question that you asked earlier, what are funding in the current year we're already in? That would've been in the other report so we'll get you that.

Commissioner Brandon - Thank you.

Monique Moyer - I think I know what you want.

Commissioner Katz - I have no other comments, I want to thank you all. I know what incredible amount of work has gone into this and we all look at where we're having shortcomings but I want to applaud you because as pointed out earlier, we have gotten on better financial footing and want to thank all of you for your hard work on that and for a terrific presentation and we look forward to seeing you next month..

Meghan Wallace - Thank you but we'll be back in two weeks.

9. PLANNING AND DEVELOPMENT

- A. Request approval of a Second Amendment to the Exclusive Negotiation Agreement with GSW Arena LLC, for the lease and development of Piers 30-32 bounded by the Embarcadero roadway and San Francisco Bay, and the sale or lease and development of SWL 330 bounded by the Embarcadero roadway, Beale and Bryant Streets. (Resolution No. 14-09)

Brad Benson, Special Projects Director - We're joined tonight by several folks I'd like to point out. David Kelly is the General Counsel for the Golden State Warriors representing the Warriors. From the Office of Economic and Workforce Development, we have Ann Taupier who's a Project Manager who worked on the ENA Amendment. We're also joined tonight by Ken Rich who is Mayor Lee's Director of Development and is Acting Waterfront Projects Director overseeing the Warriors Project, the Pier 70 Waterfront Site Project with Forest City and the Seawall and Pier 48 project. I'd like to invite Ken to the podium to make a few remarks to the Commission.

Ken Rich with the Office of Economic and Workforce Development - I'm serving as the Acting Mayor's Waterfront Projects Director standing in for Jennifer Matz who is on medical leave. You're about to hear a presentation from your staff regarding a proposed extension to the exclusive negotiating agreement with the Golden State Warriors for a pavilion on Piers 30-32. As you may know, last Monday in front of your CAC which was formed to get community input on the project, we announced a new project schedule for this project. The highlights of this new schedule are an EIR published in August of this year, a term sheet in front of this Commission for endorsement in November of this year and the actual transaction documents and project approvals in front of this Commission in January of 2015. What this schedule does is it gets us to an opening date for the new facility in fall of 2018.

Staff may be giving you a more detailed schedule but that's sort of the highlights. We intend to continue our intensive outreach centered around the CAC for the remainder of the year as the project is developed and goes through approvals. We believe that we need to work with the interested stakeholders to shape a proposed project that succeeds in the following key respects.

First, physically appropriate for the site and neighborhood. You've seen many presentations on the proposed design that has been refined and will continue to be refined as we go through the process. Second, a project that's fiscally responsible and advantageous and for the city. Third, a project that addresses "quality of life" issues in quotes for the surrounding neighborhoods such as security, crowd control and cleanliness. Fourth, and last but not least, that addresses traffic and transportation concerns and issues so that most people who attend events at the facility are not driving to the facility and those that do drive are parked somewhere off of the Embarcadero so that the traffic is kept to a minimum. That's all I have for you today. I will turn it back over to Brad.

Brad Benson - In November the project sponsor attended the Port Commission to unveil version three of the project. Craig Dykers from Snøhetta gave a pretty compelling presentation of the new vision for the project. I've got a few selected slides. This is looking south from the Embarcadero with the proposed fire station component of the project and some of the redesigned retail along the Embarcadero. This is looking in the northeast direction across the pier level plaza to some of the open space that rises to meet the multi-purpose venue.

That version three differed from the prior versions in some key respects. They worked hard to lower the height of the facilities so that it's now 125 feet above the pier deck. They've tried to shrink the total square footage of the development largely in response to some feedback from BCDC staff. They've increased, as a result of that shrinkage, the amount of open space on the project now totaling a little over 60% of the site or 7.6 acres.

They've got a new entrance to the facility, a mid-block entrance along the Embarcadero that's designed to improve safety and separate pedestrian and bicycle traffic from auto traffic that's needs to get in and out of the facility. They substantially redesigned the retail frontage along the Embarcadero as I showed earlier. They've also increased the amount of fill removal in this new version that cuts away a portion of the pier and shows new bay water.

Version three is being studied in the environmental impact report. The staff report also provides details for the program for seawall lot 330 which have not changed since version two was issued. Those two sides of the street as they're described in the staff report are the basis for the project description that the Planning Department is studying now.

You've been reading in the paper that some other things have been happening too as well. The Warriors have announced a new cost estimate for the facility. We too, at the Port, have been working to come up with a third party validation of that cost estimate. We received the cost estimate prepared by Martin Lee Corporation from our as needed pool in the engineering division. They estimate the hard costs not including design of the pier substructure, the rebuild of the pier substructure at approximately \$171 million, which is very close to the Warriors revised estimate for the project. As Ken mentioned we're here on this ENA amendment today largely prompted by changes in the schedule. The new opening date for 2018 means that we're taking more time in the public process to get to the eventual approvals.

Those were contemplated in the not too distant future under the existing ENA and so we're pushing the schedule back by essentially a year. That's an additional year of work so there is a revised transaction budget providing for reimbursement of some city costs, particularly city attorney costs, OEWD costs and some consultant costs to cover that additional year's worth of work, and then there's a revised reimbursement schedules by which the Warriors would pay back those expenses.

The ENA includes about 14 items that are performance benchmarks and the Warriors are required to achieve those benchmarks by date certain provided in the ENA. They've completed the first three items. Those all were completed in 2012. They provided their formation documents for GSW LLC. We entered into a conceptual framework that was the basis for the fiscal feasibility report and the Board of Supervisors found that the project was fiscally feasible.

With respect to all of these other dates, we've now shifted them forward a year. We're expecting the draft environmental impact report to come out in August 2014 and then go through an extended comment period. We're looking at the Port Commission consideration of a term sheet endorsement in the November timeframe followed by Board of Supervisors action shortly thereafter.

Final EIR certification will be in early 2015 followed by actions by the Planning Commission and the Port Commission and then by the State acting first through the State Lands Commission and then through a number of regulatory actions including BCDC. That is the revised schedule.

Moving on to the new budget, we essentially added a year's worth of additional costs to the FY 2014-2015 reimbursement schedule totaling \$875,000. That covers city attorney costs, consultant costs and some OEWD costs. Along with that we're proposing, there's an existing deferral in the ENA for reimbursement of some of these costs that was due to expire in April of this year. To be consistent with other changes in the schedule, we're pushing that deferral date out a year. GSW under the proposed second amendment would pay the Port \$200,000 of some outstanding costs and we would see about \$500,000 deferred until April of 2015.

Dennis MacKenzie, Round the Diamond Consulting and Education - I provided you a short update on my proposal to ask the Warriors and the city to collaborate and provide a high school/college career pathway classroom which could also serve as a field study classroom. Also I provided you with a copy of a letter I provided to this Commission five years ago exactly which details some of the other comprehensive benefits of a high school classroom inside this arena could provide, which are the Port property. Everybody talks about trying to attract more visitors and tourists and I consider this proposal a magnet to attract not only tourists just to walk around and visit the waterfront but become involved with our city high school programs that could be provided through here. In other words, inviting high school students and classrooms and kids and teachers from around the state and around the country to visit this arena and join and meet our kids and see this high school classroom that could be provided as a model for other sports facilities across the country. In addition to that I also want to support this exclusive agreement with the Warriors and hope that all the city leaders and the Port and the Warriors continue to work on this. Obviously it's a challenge for it has many different challenges, not just the neighborhood. Our socioeconomic situation throughout this city is very critical and I believe with some intelligent vision, both the Seawall Lot 330 and the arena could provide a lot of benefits.

Sue Hestor - I'm reading from page five of your report. "Why the ENA? In order to provide adequate for environmental review, consideration by state and federal agencies and maximum public input." You are doing the schedule. The public is being short-changed in the schedule that's before you. The EIR is supposed to come out August 27th. That means that deadline for comments is going to be October 27th.

It's right before the election. There's an election on November 4th. On November 4th, five Supervisors will be up, include this Supervisory District Six. Two Supervisors are running for the assembly and there will be two measures put on the ballot by the Warriors to increase the height. So we will be having a campaign on the site, on the ballot, before even the EIR is available. The filing deadline for ballot arguments is before the EIR is out. The EIR is supposed to be accompanied by the waterfront transit association coming about the same time. We don't have the detailed transit assessment for this area. So everyone on this area is going to be dealing with comments on the EIR, reading the EIR for the first time, the Port and the Warriors have the EIR but the public doesn't. We will be reading it for the first time, commenting on it, dealing with the term sheet hearings which are supposed to be adopted at the same time. It's being adopted by the Port November 18, 2014 which go back a couple months and you will have the term sheet coming through. The whole public process on the term sheet happens about the election. The election happens around the election. The EIR comment period happens around the election. What has happened is the opening day -- which was unrealistic all along -- the EIR has slid seven months. The Planning Commission approval has slid five months. City and Port Commission approval has slid four months. We don't have any firm proposal for Seawall Lot 330 as we sit here now. The Warriors have said, "Maybe," and I believe it's always maybe, "Maybe it will be out in March." They have had three iterations of 30/32. There is still a lot of questions about 30/32 because the only presentation they had that was serious about this was a land use committee and all hell broke loose at the meeting. My time is up and so this is an unrealistic schedule and you're abusing the public big time.

Commissioner Brandon - Thank you very much for this report.

Commissioner Katz - I had some similar questions just in terms of the likelihood that there will be a ballot initiative addressing or concurrent with some of our timeline here, how would that impact any of these deadlines?

Brad Benson - There's a lot of speculation about a ballot measure. The mayor has said on several occasions he's always thought that it would be appropriate for the voters to weigh in on the project and clearly that was the case with the Giants. There's been no formal announcement of a proposed date for that ballot measure. November would be one possibility but that's not currently on the schedule. What we're trying to do at the staff level is to pursue the formal analysis under CEQA to engage BCDC and the other regulatory agencies and the processes that we need to undertake to shape the project so that it can be ready for approval by the voters, by the Port Commission, by the Board of

Supervisors. The comment period that will be afforded under the CEQA schedule I believe is 45 days or more. There is a plan on the term sheet. There is a requirement under the enabling legislation adopted by the Board of Supervisors encouraging the formation of the CAC that there would be at least two full hearings of the term sheet at the CAC before it is brought for consideration and project staff are looking forward to working with the term sheet subcommittee of the CAC to address issues over the spring and summer so that there can be a good deliberative process at the CAC about those term sheet issues and the other quality of life and transportation issues that Ken mentioned in his remarks.

Commissioner Katz - In terms of the timing, I know more often than not we do extend. We don't just do the minimum 45 days for public comment. Has there been any thought given to extending that a bit longer?

Ken Rich - With large projects like this, it's very common to extend the time period. The reason I don't want to stand here and tell you it's 60 days is because it's not my prerogative, it's the Environmental Review Officer at the Planning Department who would make the call usually with requests from the Planning Commission. If I were betting I would bet that it would be extended to 60 days but that's not our decision but it's likely.

Commissioner Katz - Thank you for your presence. I do want to point out one item. You touched on it briefly but that the Port will be getting their reimbursement for some of the costs and that there will be some additional costs incurred from staff time and that's also addressed in this so I want to thank you.

Ken Rich - Yes it is.

Commissioner Katz - Thank you for your presentation.

Commissioner Brandon - I wanted to thank you for the presentation and say that it's a good idea that we're slowing down the process and that the Warriors have time to meet with more community groups and get more input and feedback and I'm looking forward to the next phase.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 14-09 was adopted.

- B. Request authorization to award Lease Number L-15771 for the EcoCenter at Heron's Head Park and surrounding 6,058 square feet of non-exclusive license area, located near the intersection of Jennings Street and Cargo Way, to the Bay Institute Aquarium Foundation, a Not For Profit California Corporation for a five-year term with two two-year options. (Resolution No. 14-10)

Carol Bach, Environmental Affairs Manager in the Port's Planning and Development Division - I'm happy to be back before you with an update

regarding the EcoCenter leasing process and a recommendation to award the lease to the Bay Institute Aquarium Foundation.

As you may recall in September, the Port issued an RFP seeking qualified proposers to lease and operate the EcoCenter and provide programming that would serve the Port's objectives for the EcoCenter which include promoting public access, improving use of the EcoCenter as an educational resource, engaging the local community and continuing to coordinate with the Port's existing environmental education programs in Heron's Head Park which are offered through our partnership with the Recreation and Parks Department.

The RFP advertising and outreach were presented in detail in a previous staff report and presentation. The RFP also included a proposed lease that the successful tenant would be expected to sign. That lease was considered by the Commission concurrent with its authorization to issue the RFP. The proposed lease terms are consistent with the Port's standard form with the exception of rent and maintenance obligations. In the case of the EcoCenter, the rent is \$1.00 per year for the five year term, and the Port assumes most of the maintenance obligations.

On the proposal due date in November, the Port received proposals from two qualified proposers, the Bay Institute Aquarium Foundation and the A. Philip Randolph Institute or APRI. APRI is a Bayview based non-profit organization with a mission to promote racial and economic justice through education, training and other activities that empower residents of low income communities. The Bay Institute Aquarium Foundation is a non-profit organization dedicated to educating the public about San Francisco Bay. The Bay Institute Aquarium Foundation is currently a tenant in good standing at their Aquarium of the Bay facility at Pier 39.

At the informational presentation in December, the two proposers presented their qualifications and the highlights of their proposals for operating the EcoCenter. Also in December, the Port convened a panel of four experts to evaluate the written proposals and interview the two respondents. That panel was comprised of four people with expertise in environmental education, environmental program funding, educational and recreational facilities management and community activism in Bayview/Hunters Point. The panel reviewed written proposals and interviewed both proposers.

In a separate process, Port Real Estate and Finance staff reviewed the financial materials that were submitted with each proposer's proposal. The evaluation of written proposals, interviews and financial capacity found the Bay Institute Aquarium Foundation to be the higher ranked proposer.

We heard your direction following the informational presentation in December regarding the benefits of collaboration between the two proposers. The Bay Institute Aquarium Foundation, City College of San Francisco which was part of the Bay Institute Aquarium Foundation's original proposal and APRI have been

working together ever since the to craft a collaborative approach to operating and programming the EcoCenter.

In January, the Southern Waterfront Advisory Committee heard a joint presentation from all three groups and expressed their support for the joint proposal. The original RFP specified that the tenant would develop an operations and program plan including a draft that was submitted with each proposal and the respondents are now working together to develop a final operations program plan that incorporates all of their proposed activities.

We also heard your request in December that we come back with details and specifics about how these organizations would work together. So to serve that objective, I've invited them to come and make a presentation. I'd like to introduce Carrie Chen who is the Director of Education and Conservation for the Bay Institute Aquarium Foundation, Peggy Lopipero-Langmo who is an instructor at City College and has been working at the EcoCenter under contract to the existing owner/operator, and Jacqueline Flynn who is the Executive Director of APRI.

Carrie Chen - I'm the Director of Education and Conservation at the Bay Institute Aquarium Foundation and together I will be presenting with Peggy and Jackie about our plans for the EcoCenter. During the presentation in December that Carol spoke about, you recommended that the Bay Institute Aquarium Foundation and its collaborator on our initial proposal, City College of San Francisco, try and collaborate with APRI. Through many in person meetings and phone conversations that we have had over the past eight weeks, we found that we had many existing collaborations and projects that really behooved the future of the EcoCenter. The intent of our presentation today is to share with you our collaborative plans on how these three organizations will work together towards the EcoCenter's success.

During the many phone conversations and in-person meetings that we've had, we've discussed the strengths and weaknesses of each organization, what projects we're currently working on and how we can work together at the EcoCenter. Through these meetings, we have formed collaborations that we will foster into the future. We all agree upon the vision that we have for the EcoCenter, how we want to work together towards making the space something that we're all proud of that involves the community and is a hub for watershed conservation education. We really believe by coming together the EcoCenter will be more successful.

The backbone of our plan is to build upon the complementary strengths of each organization. We're going to take a little bit of time today for each of us to talk about those strengths. For the Bay Institute Aquarium Foundation, first and foremost, our mission aligns with the EcoCenter with the experience leading watershed education efforts.

As Carol mentioned, we've also been a very successful Port tenant for over 17 years and we have the financial and administrative capacity to support and grow the EcoCenter operations. Both Peggy and Jackie will talk about what they bring to this wonderful collaboration.

Peggy Lopipero-Langmo - I'm happy to be here again to talk very little about City College of San Francisco. You heard at length last time from many that came forward to speak about our long relationship both with Heron's Head Park and most recently with the EcoCenter in terms of its daily operations and maintenance as well as the delivery of programs and tours to the public and students.

We bring many strengths via our collaboration. Not only are we educators coming from multiple disciplines. We'll be expanding our many faculty who are very excited especially those that are currently teaching and working with the CityBuild and other courses at the Evans' campus, particularly the renewable energy green building. Also our faculty that are currently involved as well as our deans with continued technical education. We also have the ecologist, the biologists, environmental scientists and engineers who are interested in coming and furthering programs. Offering both programs and incorporating more programs and exercises particularly those around workplace training and development. The EcoCenter is as you recall one of the only places in San Francisco where you can actually have a hands-on training with sustainable systems.

Not only are we educators in our fields, most of us have worked in our fields for many years as well as having some of us continue to work in our fields and we bring with us some practical experience to ensure that students -- and the public -- that are involved with the EcoCenter can have some workplace training skills. Finally we'll continue to bring our laboratory, technical and other expertise to bear during this collaboration.

Jackie Flynn - I'm the Executive Director of the A. Philip Randolph Institute. The strength that we bring, if you guys remember from our last presentation to the Port Commission, Kurt Grimes so eloquently said, "We're the ones that knock on the doors." We're the ones that want to make sure that the programs and the enrichment opportunities that we'll offer at the EcoCenter make it to the kids that need the actual internships and opportunities.

We are here to make sure that we develop and foster a relationship between the EcoCenter and the immediate community. We're very happy to have come together. We both noticed that we had some really great ideas coming out of both of our proposals. When we were able to all come together and really discuss in depth how we would move forward, there was just a huge energy to bring even more resources and even more innovative ideas to the space. On behalf of APRI we're very excited to be in this partnership.

Carrie Chen - We want to take a moment to share our expanded programming ideas with this collaboration. First and foremost, we will be continuing existing in-programs that are already in place at the EcoCenter due to our collaboration with City College. I'll allow Peggy to talk about all of the different aspects because she knows them first and foremost.

Peggy Lopipero-Langmo - We'll continue to keep the EcoCenter open as a visitor center and also as a place where students can participate and act as docents for visitors both to Heron's Head Park and the EcoCenter. We'll also continue to work with our collaborators to further the existing programming and develop new programming again ensuring that the best practices are used both for a range of audiences from kindergarten through college as well as working professionals.

We'll also continue to work with YSP, the Rec and Park Youth Stewardship Program and Greenagers both in terms of access to the facility, providing guidance for restoration and native landscaping activities as well as coordinating when programs that are offered in the park by YSP are together with programs that are offered within the EcoCenter. Allowing for interns from City College to continue to participate in the operations, maintenance, monitoring and research and to develop further workplace skills as you've heard about before, and also to continue into further working with our collaborators to ensure access to the EcoCenter for community events, meetings and other things that you'll hear about from our Community Advisory Committee.

Carrie Chen - One of the beautiful things about this collaboration is that we start with what Peggy just described but then we really grow things starting day one. APRI and TBIAF bring to this collaboration is our expertise and our best practices regarding the opportunities. Our hope is that we will continue to move forward after our presentation today and I know the Port hopes that we are able to sign the lease starting on March 1st. At that time, we'll actually be able to hit the ground running with the existing programs that Peggy already described but we will also be including these new programs that Jackie and I are going to talk about.

One of the new things we really want to start at the site is Science Saturday events. That's kind of a catchall term and we want something going on every single Saturday at the site. Whether that's different volunteer opportunities such as the existing native plant restoration volunteer opportunities or a new shoreline cleanup opportunity within the park or potentially different thematic watershed or environmental public programs for the public within the EcoCenter based on aspects of the watershed whether it be the wildlife or other pieces.

Jackie Flynn - Over the last three years, APRI has developed a center for youth to access year round in summer jobs, internships and enrichment programs. Through our existing programs, we have some with the Rec and Parks Department as well as OEWD. I recently received a notice of award for a Unified

School District program with OEWD. As well as a small contract with the Port through the Conservation Corps.

Through our existing programs, we have the ability to work with neighborhood youth and match them with these life changing experiences and opportunities. We want the EcoCenter to be a place we inspire the youth to get involved and dream really big.

Our outreach network includes existing relationships with community leaders, our churches, our Unified School District schools, community groups, other youth organizations and collaboratively we'll all bring these resources together to make sure that we are extending the information out into the community. We'll continue to grow this network and apply the proven message and best practices to inform a very diverse audience.

Carrie Chen - Last but not least, one of the things that we're going to be starting on day one is how can we grow capacity for all of these existing programs? That's one of the pieces that the Bay Institute Aquarium Foundation feels it can bring to support the success of the EcoCenter. With the team that we have that supports not only what we have going on at the aquarium such as grant writing and development teams, finance teams, communication teams, we really know that it is the intent of this group that we want to start the ground running but then really grow the programs into the future.

One of the things that we want to go into depth to in the next couple of slides is how are we going to ensure that this is a space that behooves the community and that the community is aware of? Our outreach to the community is in three different phases. I'm going to have Jackie talk a little bit about some of the phases as that is important for this collaboration to be a success is APRI's experience in reaching out to the community.

Jackie Flynn - What you see is our next steps that we've outlined and this is how we'll clearly inform our audiences and our community about the opportunities that are at the site. The initial meeting will include the development of a communications plan and we feel that it's important to take a step back from the process which has been very challenging for us to all collaborate and come together but what we'd like to do is craft a message that we think is a collaboration of all of us that we can represent the EcoCenter very well.

What we want is for everyone to enjoy the EcoCenter but we are going to specifically target low income families through the connections that we have through the Housing Authority and other affordable housing project developers to reach youth that can benefit from the EcoCenter's programs and opportunities and it's not just youth but it's the families as well. Over the next several weeks we'll continue to work very diligently to plan a message but also a community event to reintroduce the EcoCenter to the neighborhood. This is one of our mechanisms for really engaging the community. We initially had a Community Advisory Committee; we just renamed it to the EcoCenter Advisory Committee

because there's a lot of CACs out there. We understand that engaging our communities is essential to the vitality of the EcoCenter. Our EAC will allow the community a space to have a voice and communicate in a meaningful way. The EAC will be co-chaired by Carrie and I and we will continue to recruit organizational representatives from the southeast community to serve as advisory members and we actually have a bunch of interest in seeing the development at the EcoCenter.

We actually have some initial organizations and representatives of organizations sign on to our original committee but this is another thing that we're going to do in collaboration which is really plan out the purpose for that body and identify folks that will be able to serve the EcoCenter. The idea is that we'll advance the goals of the EcoCenter allowing community participation in the overall development and the goal is to meet regularly and help guide the future programs and community access allowing public input and output coming from us as well.

Carrie Chen - And last but not least, we want to ensure that there's community representation at all levels within the organization. The last piece is that we intend to recruit a new board member to the Bay Institute Aquarium Foundation's Board of Directors that is representative from the Bayview/Hunter's Point community. This is a way that we want to ensure that there is community representation within all levels of our organization. We'll be utilizing both this collaboration and the members of the EcoCenter advisory committee to help us identify a representative to bring onto the board of directors.

This second to last slide really hopefully shows to you that it does take a village in order to ensure success at the EcoCenter. We have our collaboration which Jackie earlier today likened to the trunk of a tree. That we are providing and creating the support mechanisms and that all of these organizations that have expressed interest in working with us over these many months are shown here and this is really just the start of the branching of the tree. We do want to continue to grow this network of support organizations to many more and a diversity of organizations both within southeast San Francisco and even beyond.

In conclusion, hopefully we were able to come together as a collaboration and show you what our plans are starting hopefully very soon at the EcoCenter. We all truly believe in a vision that we agree upon for this organization and for the EcoCenter and we know that this collaboration is going to prove to be very successful.

Carol Bach - Thank you Carrie, Peggy, Jackie and thank you very much Commissioners for your sustained interest in this item after such a long afternoon. Pending your approval of Port staff's recommendation to award the lease to the Bay Institute Aquarium Foundation, I hope to return at your next meeting on February 25, 2014 to request authorization to execute the lease.

Commissioner Katz - Let the record reflect that several members of the audience are giving thumbs up.

Commissioner Woo Ho - We're extremely pleased to see the results since the last Commission meeting that we discussed this and I want to commend all the parties and you heard us and the fact that we don't have 40 speaker cards today is an amazing accomplishment. Thank you very much.

Commissioner Brandon - I'd like to congratulate and thank you. It's great that you have been able to form your collaboration and it seems like you've thought it out really well to find out everyone's strengths and weaknesses which is great and so I'm really looking forward to see what you guys are going to do and attending the launch event.

Commissioner Adams - I also want to say thank you very much. You found a voice of reason, you guys came together and you guys cost me a lot of money. I want you guys to know something. Because of you guys I went to Antarctica for 17 days right after this and then last Friday I was in Capetown, South Africa. I went shark diving in a sanctuary but realistically I really care a lot about the EcoCenter now and now I feel I'm somewhat understanding more because even living in San Francisco, I've never been to Heron's Head Park. Going down to Antarctica for 17 days and seeing the environment, seeing penguins nesting, seeing Orca whales, seeing that not in a zoo, but seeing it in a natural habitat and seeing that we have something like this on a smaller scale in our own backyard, I want to go down there and support it. Believe me, I will be coming down there to see what you guys are doing. It's not just something that we're going to pass this. This is a working Commission and we do follow up and I will be coming down to check to see what you guys are doing.

Commissioner Katz - Carol I want to thank you for spearheading this and then thank all of the organizations. It was one of those moments when you came before us and sometimes things do work the way they're supposed to. As we sat here we realized, everyone had such tremendous strengths and we're all thrilled that something has come forward that plays to everyone's strengths. The community will certainly be that much better for it. I want to thank you all for coming together and putting this revised approach before us.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 14-10 was adopted.

10. NEW BUSINESS

Monique Moyer – Commissioners, it was a lengthy list of new business today that came out so I'm going to hit a couple of the highlights. With respect to the five year projections going forward you'd like to see an operating cash flow, a statement, you'd like to see the variable assumptions in more detail and some "what if" scenarios. There's more on that but those are the highlights.

You want us to aggressively pursue third party financial sources or continue to do so and aggressively pursue partnerships. I believe Commissioner Adams that you were instructing us to do so but also volunteering the Commission to help us so I hope that's what you meant. You would like a report back on what our thinking is about the unfunded portions of the Capital Plan.

You would like us to keep the Commission apprised of our efforts on sea level rise and sea wall. You would like some report on what I would loosely call a vision for the Southern Waterfront that might guide the EIR and then specifically for the next meeting a supplemental budget book and a consolidated current capital projects in process and proposed. I think those are the highlights, there's a lot more that were little details but that's our To Do list and we'll be back to you over the course of many months.

11. ADJOURNMENT

Commissioner Adams - I'd like to make a motion while we adjourn that we dedicate this meeting in honor of Willie Brown and the new Willie Brown Bay Bridge and also this being Black History Month I find it to be very fitting. Commissioner Brandon seconded the motion. All of the Commissioners we in favor.

Commissioner Katz - It's also his mother's birthday.

Port Commission President Leslie Katz adjourned the meeting at 6:12 p.m.

SAN FRANCISCO PORT COMMISSION

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Kimberly Brandon, Commissioner
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AGENDA **TUESDAY, FEBRUARY 25, 2014** **3:15 P.M. OPEN SESSION**

PORT COMMISSION HEARING ROOM, SECOND FLOOR **FERRY BUILDING, SAN FRANCISCO CA 94111**

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1. CALL TO ORDER / ROLL CALL

2. APPROVAL OF MINUTES – February 11, 2014

3. PLEDGE OF ALLEGIANCE

4. ANNOUNCEMENTS

GOVERNMENT
DOCUMENTS DEPT

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- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

5. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during Public Comment Period. A member of the public has up to three minutes to make pertinent public comments. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406. No Commission action can be taken on any matter raised during the public comment period for items not listed on the agenda other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

6. EXECUTIVE

A. Executive Director's Report

- Mayor Edwin Lee's Executive Directive on Water Conservation
- San Francisco Tsunami 2014 Exercise – February 11, 2014
- Black Maritime Heritage Festival – February 21, 2014 at Pier 1
- San Francisco Summer Resource Fair – March 8, 2014 at Balboa High School, 1000 Cayuga Avenue, San Francisco, from 10 a.m. to 2 p.m.
- Sunday Streets on The Embarcadero between Fisherman's Wharf and Mission Bay – March 9, 2014 from 11 a.m. to 4 p.m.

B. Commissioners' Report

7. REAL ESTATE

- ### **A. Informational presentation for a limited Request for Proposals (RFP) for a retail space located at Pier 33 North (33½), on the Embarcadero at the foot of Bay Street which would be issued competitively on a target basis to those small businesses currently working with San Francisco community-based organizations.**

8. MARITIME

- ### **A. Request authorization to amend Foreign Trade Zone No. 3 Zone Schedule 1 (tariff) containing Rules, Regulations, Rates and Charges to conform to new Foreign-Trade Zones Board Regulations. (Resolution No. 14-11)**

9. FINANCE AND ADMINISTRATION

- ### **A. Request approval of the Port's Fiscal Year (FY) 2014-15 and FY 2015-16 Biennial Operating & Capital Budget. (Resolution No. 14-12)**

10. PLANNING AND DEVELOPMENT

- A. Request approval of Lease No. L-15771 for the EcoCenter at Heron's Head Park and surrounding 6,058 square feet of non-exclusive license area, located near the intersection of Jennings Street and Cargo Way, with the Bay Institute Aquarium Foundation, a Not For Profit California Corporation for a five-year term with two two-year. (Resolution No. 14-13)

11. NEW BUSINESS

12. ADJOURNMENT

COMMUNICATIONS TO PORT COMMISSION
From February 14 to 20, 2014

- From Kyri McClellan, SFACOC, regarding update on the Pilot Donor Recognition Program in association with OneSF: Celebrate the Cup
- From Dennis McKenzie, Round the Diamond, regarding High School College Career Pathway & Field Study Classroom

**FORWARD CALENDAR
(TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)**

MARCH 11, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 27	Informational	Presentation and Briefing on Port-BCDC Planning Study associated with approval of Pier 27 James R. Herman Cruise Terminal and Northeast Wharf Plaza Projects
2	Pier 70	Informational	Presentation on Pier 70 - Union Iron Works Historic District nomination and the status of Port planning efforts
3	Pier 35	Action	Authorization to advertise for competitive bids for Construction, Pier 35 Building and Roof Repairs
4	SWL 322-1	Action	Approval of Memorandum of Understanding between the San Francisco Mayor's Office of Housing ("MOH") and the Port regarding the terms and conditions under which the Port will allow MOH to solicit a developer to enter into a lease with the Port for the development of Seawall Lot 322-1 with an affordable housing development
5	Portwide	Action	Resolution to Accept and Expend Coastal Assistance Improvement Program grant for Port of San Francisco pier apron repair projects
6	Portwide	Action	Approval of Executive Director's nominations for appointment to the 5-member Port Building Code Review Board
7	Portwide	Action	Approval of: (1) the preliminary form of the Official Statement relating to the Bonds and the distribution of the statement; and (2) the form of the Continuing Disclosure Certificate of the Port and the execution of the certificate
8	Pier 70, Bldg. 12	Action	Approval of license agreement with Forest City California, Inc. ("Forest City") for the Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay

MARCH 25, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 70	Informational	Update on the Orton Development Inc.'s proposed project for the lease and rehabilitation of the 20 th Street Historic Buildings on or near 20 th and Illinois Streets at Pier 70

2	Pier 94	Action	Approval of a Five (5) Year Option to the Existing Term of Lease No. L-14705 with Recology San Francisco (formerly Sustainable Crushing Ventures, LLC) for a Five (5) Year Term Effective August 1, 2014 through July 31, 2019, for Certain Real Property Located at Pier 94, Seawall Lot 352
3	Crane Cove Park	Action	Approval to modify contract with AECOM for additional services to Schematic Design phase and to conduct Design Development, Detail Design and Construction support for Crane Cove Park, located within the Pier 70 area.

APRIL 8, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Cesar Chavez Street, Islais Street, and Pier 90	Action	Authorization to award Construction Contract No. 2758, Bayview Gateway & Tulare Park Projects
2	Pier 50 & 96	Action	Approval of First Amendment to the Berthing and Lease Agreement No. L-14648 with California Sealift Terminals Inc. a California Corporation to berth three U.S. Maritime Administration (MARAD) ships at Pier 96 and Pier 50
3	Pier 70	Action	Approval of a lease and development agreement with Orton Development, Inc. for the 20th Street Historic Buildings at Pier 70
4	Pier 33 North	Action	Approval for a limited Request for Proposals for a retail space located at Pier 33 North (aka 33½) on The Embarcadero at the foot of Bay Street which would be issued on a target basis to those small businesses currently working with San Francisco community-based organizations as a competition

MAY 13, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 35	Action	Authorization to award Construction Contract No. XX, Pier 35 Building and Roof Repairs

JUNE 10, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 31	Action	Authorization to advertise for competitive bids for Construction, Pier 31 Building and Roof Repairs

JULY 8, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 35	Action	Authorization to advertise for competitive bids for Construction, Pier 35 Substructure Repairs

AUGUST 12, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 31	Action	Authorization to award Construction Contract No. XX, Pier 31 Building and Roof Repairs
2	3rd Street & Cargo Way Triangle and Cargo Way	Action	Authorization to advertise for competitive bids for Construction, Quint Street Lead Improvement Project

SEPTEMBER 9, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 35	Action	Authorization to award Construction Contract No. XX, Pier 35 Substructure Repairs

DATE TO BE DETERMINED

	FACILITY/POLICY	ITEM	TITLE
1	Pier 27	Informational	Presentation on the James R. Herman Cruise Terminal Management Agreement with Metro Cruise LLC
2	Pier 27	Action	Approval of the James R. Herman Cruise Terminal Management Agreement with Metro Cruise LLC
3	South Beach	Action	Port Commission's consideration of agreements between the Port Commission and the Successor Agency to mutually terminate 13 ground leases in the South Beach project area and set business terms for the transfer of the

			South Beach Harbor Program
4	Pier 70	Action	Authorization to advertise for competitive bids for Construction, Crane Cove Park Project Phase 1
5	Pier 94 and 96	Action	Authorization to advertise for competitive bids for Construction, Pier 94-96 Storm Drain and Outfall repairs
6	Copra Crane Loading Dock near Tulare Street	Action	Authorization to advertise for competitive bids for Construction, Copra Crane Refurbishment

MARCH 2014
CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
Mar. 11	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
Mar. 25	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building

NOTES:

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92. The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfport.com

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or catherine.reilly@sfgov.org

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or jonathan.stern@sfport.com

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or mark.paez@sfport.com

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david.beaupre@sfport.com

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or dan.hodapp@sfport.com

ACCESSIBLE MEETING INFORMATION POLICY

FERRY BUILDING:

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at sotf@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

NOTICES

Prohibition of Ringing of Sound Producing Devices:

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.



MEMORANDUM

February 21, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *Monique Moyer*
Executive Director

SUBJECT: Informational presentation for a limited Request for Proposals (RFP) for a retail space located at Pier 33 North (33½), on the Embarcadero at the foot of Bay Street which would be issued competitively on a target basis to those small businesses currently working with San Francisco community-based organizations

DIRECTOR'S RECOMMENDATION: Information Only - No Action Required

I. EXECUTIVE SUMMARY

The Port of San Francisco recently renovated and brought into code compliance office and retail space at Pier 33½, located on the Embarcadero at Bay Street. This facility is located between the Alcatraz Landing site and the Pier 35 cruise ship terminal.

Per City and Port policy, all retail opportunities must be publically bid. It is the Port's desire to issue a Request for Proposals (RFP) for the retail portion of this facility which includes 1,942 square feet of ground floor space (one parcel consisting of 512 sq. ft. and one parcel consisting of 1,430 sq. ft.). These two parcels can be held separately or combined into a single parcel. It is also the Port's desire to expand the pathways to opportunity to include Local Business Enterprises (LBE) in Port facilities.

Historically, Port retail sites have required a sizeable capital injection by a new tenant because of the challenged condition of the property. This large capital requirement has been a barrier to the ability of many small businesses to

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participate in the Port's RFPs or as tenants. Pier 33½ has been renovated recently by the Port using revenue bond funding. The Port is fortunate to have a turn-key retail space(s) to offer for bid that will be accessible to local small businesses without such a sizeable capital requirement.

To ensure that the Port expands its opportunities to local small businesses, Port staff proposes a pilot program that would offer this opportunity on a competitive, targeted basis to those small businesses currently working with San Francisco community-based organizations (CBOs). The role of such CBOs is more fully described below.

II. PROJECT OBJECTIVE

The Port wishes to expand opportunities to small local business enterprises and therefore competitively offers this opportunity on a targeted basis to those small businesses currently working with San Francisco community-based organizations that provide technical assistance to Local Business Enterprises (LBE).

The successful respondent(s) will propose a retail use that serves the northern waterfront visitors, neighbors and local workforce employees.

The successful bid will be awarded based on determination of the selection committee that (i) the proposal is the most creative use; (ii) the proposal is supported by a strong business plan(s); (iii) Respondent is committed to ongoing technical assistance; and (iv) Respondent is a local business enterprise company(ies) or partnership(s) that has been operating for a minimum of three years.

III. OPPORTUNITY

The opportunity consists of a combined 1,942 square feet of ground floor retail space (one parcel consisting of 512 sq. ft. and one parcel consisting of 1,430 sq. ft.) located at Pier 33 north (also known as Pier 33½) in the Port's northern waterfront. The parcels can be leased separately as two parcels or combined into one parcel. The facility is in close proximity to the Pier 35 Cruise Terminal, the newly constructed James R. Herman Cruise Terminal at Pier 27, Pier 39, Alcatraz Landing and Fisherman's Wharf.

The Respondent(s) can submit a proposal that allows for more than one tenant, with the collaboration splitting the space, the rent and the utilities. If the successful Respondent is part of a collaboration, the Port will sign leases with each individual partner that will contain language that all parties are responsible for shared maintenance and utilities. Should one entity wish to terminate its lease, the Port will allow the partner CBO to replace that tenant with another LBE that meets the original RFP requirements.

IV. RESPONDENT QUALIFICATIONS

The most qualified Respondent(s) will exhibit the ability to operate a retail establishment and the ability to negotiate a lease and related documents for the retail facility. The Port intends to select the most qualified Respondent that can demonstrate the ability to successfully create an establishment that provides the surrounding neighborhood and businesses with affordable, high quality goods and services.

The facility is a "warm shell" which means that the facility is improved to the walls and floors and is ready for tenant improvements which are to be completed by the tenant once the lease has been negotiated and executed. This will require the tenant to set up its own utilities and build any leasehold improvements, after obtaining Port issued permits. Respondents may propose to use the facility for either retail or restaurant activities such as a casual café. However there are no cooking amenities available and the facility will not accommodate cooking/venting. It is the Port's desire to provide retail uses that will serve the visiting public and local workers and surrounding residents. Locally made foods and goods for sale or consumption on-site are preferred.

Each Respondent or Respondent team will be clients of a San Francisco CBO that is providing technical assistance to small businesses. Each Respondent will have been operating for a minimum of three years. Should Respondents wish to submit a proposal that includes a collaboration of more than one business, the Port is open to entertaining more than one lease within this facility. The successful Respondents would include in their proposal how they would share rents, utilities and operations of the multiple business space.

The selected Respondent(s) must have a developed business plan and financial pro forma and have access to needed financing for the operation of its business enterprise. As an additional tool in designing a successful program, the Port will also enlist the support of financing resources such as Working Solutions¹, a non-profit that manages the City's small business loan program.

The proposals will be evaluated and scored by staff and community partners that have expertise in assisting small businesses (e.g.: Andrea Baker, community representative; Gwendolyn Wright, community representative, Regina Dick-Endrizzi, Executive Director, Small Business Commission; Emily Gassner, Director Working Solutions, Jay Edwards, Senior Property Manager for the Northern Waterfront).

¹ Working Solutions is a Community Development Financial Institution whose mission is to provide micro entrepreneurs with the access to capital and resources they need to start or grow a successful business. Working Solutions prioritizes the serving of low-income individuals, women, and minorities and supports microenterprise growth as a strategy to strengthen the local economy, create jobs, and build strong communities. Working Solutions provides small business loans (microloans) from \$5,000 up to \$50,000, five years of post-loan business coaching and advising, and referrals to small business resources.

V. COMMUNITY PARTNERS

To assist the Port in identifying successful Respondents, staff is outreaching to CBOs in San Francisco whose goals are to assist entrepreneurs in starting their businesses and providing ongoing technical assistance as they grow their business.

San Francisco is fortunate to have a resource of non-profit organizations that provide technical assistance to local entrepreneurs in starting their business. As the small businesses grow, CBO consultants (many of whom are successful business owners themselves) provide their expertise in accounting, marketing, hiring and financing. Some of the businesses provide incubator space for the new businesses until they grow to the point of needing larger space. Many of the consultants come from the finance industry, SBA or private corporations. The CBOs provide free access to these emerging businesses that go on to become a source of job creation in the communities in which they operate.

The Port is not seeking any financial or risk commitment from the CBOs through this partnership, just ongoing support for their clients who will also become Port tenants.

Such CBOs may include:

- **Renaissance Entrepreneurship Center:** a non-profit small business development organization dedicated to helping women and men who traditionally lack access to resources and information to achieve financial self-sufficiency through entrepreneurship. Renaissance provides training, support services, resources, and networks for business owners at every stage of business development, from idea feasibility through start-up, growth, and expansion.
- **Bayview Business Resource Center:** serves Bayview Hunters Point, Visitacion Valley and Potrero Hill emerging and established entrepreneurs with small business development services in English and Spanish that include business training, technology training and access to technology, individual consultation, financial education and access to capital, a Business Assistance Center (virtual incubation), lease strengthening and business attraction services with a focus on revitalizing the Third Street Commercial Corridor.
- **La Cocina:** cultivates low income food entrepreneurs as they formalize and grow their businesses by providing affordable commercial kitchen space, industry-specific technical assistance and access to market opportunities. La Cocina focuses primarily on women from communities of color and immigrant communities. La Cocina's vision is that entrepreneurs gain financial security by doing what they love to do, creating an innovative, vibrant and inclusive economic landscape.

- **LGBT Center:** The Lesbian Gay Bisexual Transgender (LGBT) Community Center's mission is to connect our diverse community to opportunities, resources and each other to achieve our vision of a stronger, healthier, and more equitable world for LGBT people and our allies. The Center's strategies inspire and strengthen our community by: (i) fostering greater opportunities for people to thrive;; (ii) organizing for our future; (iii) celebrating our history and culture; and (iv) building resources to create a legacy for future generations.
- **Chinatown Community Development Center (CCDC):** a "place-making" community development center that builds community and enhances the quality of life for San Francisco residents. CCDC serves primarily the Chinatown neighborhood, and other areas including North Beach, Tenderloin, the Northern Waterfront, the Western Addition, Japantown, Polk Gulch, the Richmond, Civic Center and the South of Market area. Additionally, CCDC serves as neighborhood advocates, community organizers, planners, developers, and managers of affordable housing.
- **Southeast Asian Community Center (SEACC):** provides hands on assistance to Southeast Asians and services to up and coming entrepreneurs, in collaboration with the Office of Refugee Resettlement and the Ford Foundation. SEACC offers technical assistance and microloan programs for small businesses in the US. Through these programs, dozens of Southeast Asian immigrants in the Greater San Francisco Bay Area received loans and technical assistance to start new businesses.
- **Mission Economic Development Agency (MEDA):** achieves economic justice for San Francisco's low- to moderate-income Latino families through asset development. Asset Development is the process of encouraging and supporting individuals and families to develop, accumulate and manage personal, social and material (especially financial) assets.
- **Women's Initiative:** provides high-potential, low-income women with the training, funding and ongoing support to start their own businesses and become financially self-sufficient. The women who go through their program significantly increase their income and assets while launching businesses, creating jobs and stimulating the local economy. We have urban hubs in San Francisco and Oakland to serve women throughout the Bay Area
- **Urban Solutions:** has revitalized local neighborhoods by helping 5,000 small businesses with business development, job creation, loan packaging, leasing, marketing, and environmental sustainability services throughout the Bay Area. They are best known for their work in organizing small businesses to revitalize San Francisco's Sixth Street area in the South of Market and Fillmore Street in the Western Addition. Among their

clients are Pearl's Deluxe Burgers on the corner of Sixth and Market streets and 1300 on Fillmore restaurant near Yoshi's.

VI. TERMS

The Lease(s) term will be five years. As is the Port's custom for retail properties, rent will be paid as the greater amount of either base rent or percentage rent. The proposed minimum base rent as set in the Port Commission's FY 2013-14 Rental Rate Schedule is as follows:

512 square feet	@ \$2.50 = \$1,280 per month
1,430 square feet	@ \$2.50 = \$3,575 per month
1,972 square feet	@ \$2.50 = \$4,930 per month

OR 7% of gross retail sales, whichever is greater.

The monthly base rent will increase annually by 3%.

The security deposit will be equal to twice the base rent in the last year of the lease.

Tenant will be required to provide evidence of the requisite insurance in the amount and types required by the standard Port lease.

Tenant will be required to provide evidence of its affiliation with a CBO.

VII. NEXT STEPS

Once Port staff has Port Commission agreement to proceed with this pilot project. Port staff anticipates the following schedule:

March 2014 - Port Real Estate will host representatives of the community-based organizations and chambers of commerce to introduce this pilot project and tour the space

April 8, 2014 – Staff will return to the Port Commission with a request to issue the targeted Request for Proposals ("RFP")

April 10, 2014 – Staff will issue the RFP competitively to a targeted audience of San Francisco community-based organizations

May 5, 2014 – A pre-submittal meeting and workshop will be held at the Pier 33½ site to answer questions and view the facility

July 10, 2014 – Proposals are due and must be hand delivered no later than 3:00 PM to the Port of San Francisco Offices located at Pier 1

July 11 – July 31, 2014 – Panel will review and evaluate the submission proposals and select the most qualified respondent

August 6, 2014 – The most qualified respondent will be announced and contacted

August 2014 - Port staff will return to the Port Commission to share the RFP results and seek approval of the most qualified respondent

August 2014 - Lease negotiations will begin

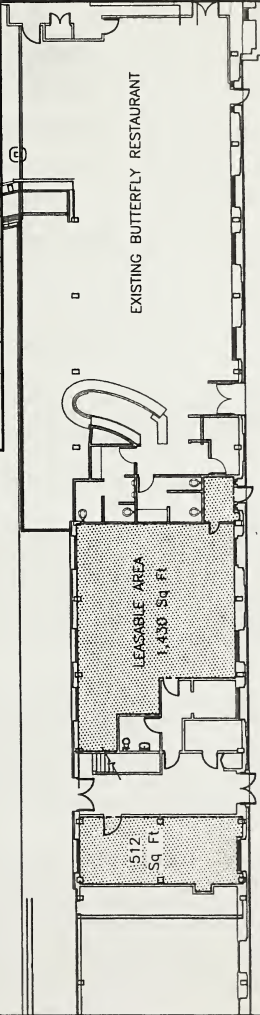
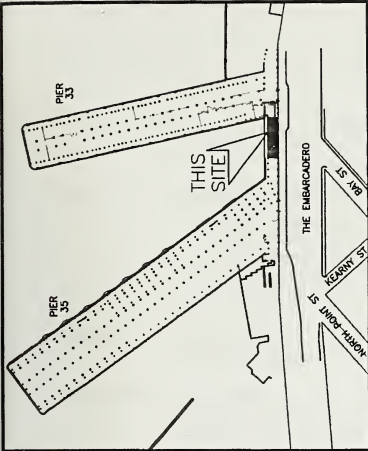
Nov 2014 - Port staff will return to Port Commission to review the proposed lease terms and seek approval thereof

Prepared by: Susan Reynolds
Deputy Director, Real Estate

Jeff Bauer
Leasing Manager

Attachment

1) Site location map and site plan



LEASE NO.

TENANT

SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

PIER 33 1/2
GROUND FLOOR

DRAWN BY: EDC DATE: OCT 28, 2013

CHECKED BY: J. EDWARDS

SCALE: 1" = 20'

PLACE CODE NO.

SHEET NO.

OF SHEETS

01/01 11/17/2013 09:00 AM 11/17/2013 09:00 AM



MEMORANDUM

February 21, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer
Executive Director

SUBJECT: Request authorization to amend Foreign Trade Zone No. 3 Zone Schedule 1 (tariff) containing Rules, Regulations, Rates and Charges to conform to new Foreign-Trade Zones Board Regulations

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Executive Summary

Port staff desires that the Port Commission authorize the Executive Director to submit to the Foreign-Trade Zones Board ("FTZ Board") a new, simplified Zone Schedule 1 (tariff) to replace the existing Foreign Trade Zone (FTZ) No. 3 Zone Schedule. The revised Zone Schedule contains a new fee structure, and therefore we are asking the Port Commission for approval. The Zone Schedule was last revised in December 2011 and the Port Commission was asked to approve the revisions at the December 16, 2011 meeting.

The FTZ Board implemented their new Alternative Site Framework (ASF) program in 2009 and the Port of San Francisco reorganized under this program in 2010. The new program streamlines the application process for FTZ applicants by simplifying the application itself and by shortening the application processing time from 8-10 months to 30-45 days. These benefits are portable and flexible to business locations within Foreign Trade Zone No. 3's expanded ASF Service Area, which now includes all or parts of seven Bay Area counties.

Additionally, the FTZ Board issued new broadly revised regulations in 2012 that include the simplification of the zone schedule and provides guidance on services, policies, fees and definitions. The new regulations include a rule change that will now require all foreign trade zones to publish on the FTZ Board's website a simplified zone schedule. The date for compliance is February 28, 2014. The FTZ Board also introduced in 2012 a new automated system called OFIS (Online FTZ Information System) which streamlines processes such as the drafting and filing of our annual reports.

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The amended Zone Schedule takes into account the streamlined administrative costs associated with the new ASF program and automation and simplifies the text in conformance with the new regulations.

Discussion

The FTZ Board has issued guidelines for compliant zone schedules. In general, each zone shall be operated as a public utility, and all rates and charges for all services or privileges within the zone shall be fair and reasonable. A rate, charge or fee may be imposed on zone participants to recover costs incurred. Such a rate, charge or fee must be directly related to the service provided by the grantee (FTZ No. 3). Rates or charges may not be tied to the level of benefits derived by zone participants. A grantee shall afford to all who may apply to make use of or participate in the zone with uniform treatment under like conditions. This is consistent with the Port's practices to date. FTZ Board regulations require that any agreement or contract related to one or more grantee function(s) and involving a zone participant (e.g., agreements with property owners and agreements with zone operators) must be in writing. This is consistent with the Port's practices to date.

A grantee shall apply uniform treatment in the evaluation of proposals from zone participants. Uniform treatment does not require acceptance of all proposals by zone participants, but the bases for a grantee's decision on a particular proposal must be consistent with the uniform treatment requirement.

Given the requirement for uniform treatment under like conditions, for any instance of different treatment of different zone participants, a grantee must be able to provide upon request by the Executive Secretary a documented justification for any difference in treatment. To date, the Port has treated every applicant equally.

Each zone schedule shall physically include: a title page, which shall include the name of the zone grantee and the date of the current schedule; a table of contents; internal rules/regulations and policies for the zone; all rates or charges assessed by or on behalf of the grantee; information regarding any operator which has an agreement with the grantee to offer services to the public, including the operator's rates or charges for all zone-specific services offered; and an appendix with definitions of any FTZ-related terms used in the zone schedule. The Port's proposed schedule is attached hereto. FTZ Board regulations allow grantees to charge fees that cover costs for administering the zone at levels the Board deems "reasonable, fair and uniform." Port staff has analyzed these administrative processes and has determined that, based on the different staff time required under the old "Traditional Site Framework" (TSF) and the new "Alternative Site Framework" (ASF) programs, separate fee schedule amounts are appropriate for each.

The Port of San Francisco receives one-time Application and Activation fees in exchange for facilitating new FTZ sites. The Port is proposing application and activation fees of \$5,000 and \$2,000 respectively for ASF usage-driven zones and \$10,000 and \$2,000 respectively for TSF subzones. The Port additionally receives annual fees from FTZ users to cover ongoing costs of administering their zone sites. Port staff is proposing a sliding scale of annual fees based on the square footage size of the zone

site to help stimulate economic development in area communities by making it less burdensome for small- and medium-sized firms to participate. The sliding scale schedule will ensure that similar-sized sites are treated uniformly, in conformance with the regulatory requirement; other FTZs in the U.S. currently employ a similar tiered fee structure. The Port is proposing annual fees ranging from \$10,000 to \$20,000 with four different tiers. Annual fees for existing FTZ sites would remain at their current levels under this plan. Port staff's proposed fee schedule is presented on pages 7-10 of the Attachment.

The FTZ Board regulations allow for cost recovery, but do not require it. Port staff did a thorough analysis of all costs associated with administering and marketing the FTZ No. 3 in an effort to ensure that the new rate structure would indeed adequately cover these costs in the future. The analysis included not just Port staff time (primarily Maritime and Executive staff) dedicated to the FTZ administration, but also City Attorney and City Risk Manager time, FTZ consultant fees, marketing and promotional costs, membership dues to the National Association of Foreign Trade Zones, attendance at educational seminars and the associated travel costs, and fees charged by the FTZ Board such as for the ASF expansion application. These estimated FTZ program expenses to the Port of San Francisco for the year 2013 were approximately \$95,000 and the fees collected for our foreign trade zone sites were \$50,000. Based on the proposed new fee structure, and with the two new FTZ No. 3 sites about to be activated this year (Expeditors and Phillips 66), the Port expects to earn at least \$96,500 in 2014. The program will become more self-sustaining as yet additional zone sites are activated.

As noted, the proposed rate structure maintains the existing annual fee level for the three refinery subzone sites (Chevron, Valero and Phillips 66) at \$20,000 per year. The annual fee for the smaller Expeditors International usage-driven site will be \$14,000, as negotiated in their recently-approved Operations Agreement with FTZ No. 3.

Application fees for TSF subzones such as the refineries will remain at the current \$10,000, but will be reduced to \$5,000 for ASF usage-driven sites due to the streamlined application process. Activation fees (costs associated with activating the sites with U.S. Customs and Border Protection) will be reduced from \$3,500 to \$2,000, again due to the more streamlined process.

Relating to local competition's rate structures, the two other Bay Area FTZs are Oakland and San Jose. Oakland has yet to reorganize under the ASF, however our understanding is that their TSF annual fee is \$10,000 for all FTZ sites and that they do not charge an application or activation fee. San Jose, a new ASF grantee, charges a \$15,000 annual fee, a \$5,000 application fee and no activation fee. The proposed FTZ No. 3 fees are therefore higher on average than those for our other Bay Area counterparts. However, they are also in the process of updating their fees and zone schedules in conformance with the new FTZ Board regulations therefore these may change as well. Since Bay Area FTZ applicants have the opportunity to choose between the three grantees, we will continue to monitor their fee schedules in an effort to be competitive while at the same time being mindful of our cost recovery.

FTZ grantees were not required to post their zone schedules on the internet in the past, therefore it has often been difficult to determine the fees charged by other grantees. In the future all zone schedules will be posted on the FTZ Board's website effective February 28, 2014. FTZ No. 3 will continue to post our zone schedule on the Port's website in the Maritime section's Foreign Trade Zone No. 3 webpage.

Recommendation

Port staff recommends that the Port Commission approve the attached resolution approving the revised and simplified Zone Schedule, and authorizing the Executive Director to submit it to the Foreign-Trade Zones Board.

Prepared by: Jim Maloney
Maritime Marketing Manager

For: Peter Dailey
Deputy Director, Maritime

Attachment:

Revised Port of San Francisco Zone Schedule containing guidance on services, policies, fees and definitions for Foreign Trade Zone No. 3

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-11

- WHEREAS, The grant of authority for Foreign Trade Zone No. 3 ("FTZ No. 3") was issued to the San Francisco Port Authority, the State of California's predecessor port agency prior to its transfer to the City and County of San Francisco, by the Foreign-Trade Zones Board ("FTZ Board") on March 10, 1948 under Board Order No. 16; and
- WHEREAS, As grantee of the FTZ No. 3, the San Francisco Port Commission ("Zone Grantee") has certain responsibilities to establish and maintain the FTZ No. 3 as stated in the FTZ Board regulations; and
- WHEREAS, FTZ Board Regulation 15 CFR Part 400.42 requires that each foreign trade zone publish a zone schedule which sets forth internal rules and regulations for the zone, and a statement of the rates and charges (fees) applicable to zone users; and
- WHEREAS, The Port approved a zone schedule on December 16, 2011 through Port Commission Resolution 11-73; and
- WHEREAS, FTZs were established to stimulate economic development in communities by providing beneficial facilities for conducting international trade; and
- WHEREAS, Port staff has determined that the fees contained in the proposed schedule will result in adequate cost recovery; and
- WHEREAS, The FTZ Board now requires Grantees such as the Port to publish simplified, public-utility based and publically accessible fee schedules on the Internet; and, now, therefore be it
- RESOLVED, That, effective immediately, the Port Commission approves the recommended revisions to simplify the Port of San Francisco Foreign Trade Zone No. 3 Zone Schedule 1 containing Rules, Regulations, Rates and Charges (as updated) in the form attached to this report, and authorizes the Executive Director to submit the revised schedule to the Foreign-Trade Zones Board for review and to post it on the Port's website.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of February 25, 2014.

Secretary

ATTACHMENT

**Zone Schedule 1
Foreign-Trade Zone No. 3
San Francisco, CA**

Port of San Francisco, Grantee
Pier 1, the Embarcadero
San Francisco, CA 94111
www.sfport.com
415-274-0400

Effective: February 25, 2014

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* Sections 3 and 4 above only applicable if the Grantee has an agreement in place with an operator to offer services to the public.

1. Introduction, Overview, Rules, Policies and Regulations

Introduction

The Grantee of Foreign-Trade Zone No. 3 recognizes that the Foreign Trade Zone program is an economic development tool whose value is to help mitigate foreign competition's advantages and to employ more Americans.

The Grantee is committed to maintaining Foreign Trade Zone No. 3 as a public utility, available to any organization which exhibits a strong business case for foreign trade zone activity and is committed to becoming an activated site.

Determination of support for a proposed Foreign Trade Zone site will be made on the basis of: (1) The site being within 60 miles or 90 minutes driving time from the outer limits of the Customs District of San Francisco as identified in zone's ASF Service Area and (2) A need for Foreign Trade Zone services is demonstrated through: (a) the commitment of an incoming or existing business to distribution and/or production through Foreign Trade Zone operations, (b) the consent of the property owner to the Foreign Trade Zone designation of the site, and (c) the property owner and operator complete property and/or operating agreements with the Grantee. Foreign Trade Zones, located in or near customs ports of entry, are secure areas under supervision of U.S. Customs and Border Protection (CBP) that are considered outside the customs territory of the United States for the purposes of duty payment.

Overview & Authority

The Port of San Francisco holds the Grant of Authority for Foreign Trade Zone No. 3, which now serves the counties of San Francisco, San Mateo, Marin, Solano, Contra Costa and the southern portions of Sonoma and Napa Counties. This zone was originally established under the Traditional Site Framework through Foreign-Trade Zone Board Order #16 on March 10, 1948. This zone was reorganized under the Alternate Site Framework through Foreign-Trade Zone Board Order #1718 on October 20, 2010 with a Service Area of San Francisco and San Mateo Counties. The Alternative Site Framework Service Area was expanded on April 30, 2013 by Order

#1899 to add Marin, Solano, Contra Costa and the southern parts of Sonoma and Napa Counties.

Zone Regulations, Rules and Policies

The rules, regulation and rates of this Zone Schedule shall apply to subzones, magnet sites, usage-driven sites and all other involved parties within FTZ No. 3. The effective date of this schedule is set forth on the cover page.

The Grantee shall, in its sole discretion, interpret the rates, regulations or services of this schedule and determine the applicability of any of its provisions. The Grantee reserves the right to waive or prorate any fee, if it is for the greater prosperity of the zone.

Activation Operator agrees to seek and obtain approval of activation of the Site pursuant to U.S. Customs and Border Protection Regulations at 19 CFR Part 14, no later than one (1) year after the execution of the operator agreement, and prior to initiating any foreign trade zone-related operations. Operator shall give the FTZ No. 3 written notice prior to submitting the application for activation. The operator shall also furnish FTZ No. 3 with a copy of Customs' letter or notice activating the site.

Annual Reports Operator agrees to use the Online FTZ Information System ("OFIS"), as required by the FTZ Board, for submitting annual report data. The data in the annual report should be for the previous calendar year ending December 31st. The report must be submitted to the Grantee by March 1.

Application In accordance with the Foreign-Trade Zones Board Regulations at 15 CFR Part 400, the Grantee must make application to the Foreign-Trade Zones Board for any and all requests to establish or modify a zone. The Grantee must also sponsor applications for production notifications.

Eligible Applicants In general, public or private corporations may apply for grants of authority to establish zones. The Board shall give preference to public corporations. The eligibility of public corporations and private non-profit corporations to apply for a grant of authority shall be supported by enabling legislation of the legislature of the state. The eligibility of private

for-profit corporations to apply for a grant of authority shall be supported by a special act of the state legislature naming the applicant corporation and by evidence indicating that the corporation is chartered for the purpose of establishing a zone.

Fees assessed in Section 2 do not include actual preparation of Applications, Activations, Modifications or Annual Reports.

Grantee liability The grant of authority, per se, shall not be construed to make the zone Grantee liable for violations by zone participants. The role of the zone Grantee under the FTZ Act and the Board's regulations is to provide general management of the zone and to ensure that the reasonable needs of the business community are served.

Landowner Agreements Before an application for site designation is sent to the Foreign-Trade Zones Board, landowners will be required to send a letter to the Grantee that states that the applicant is authorized to establish a zone on the property.

Location of Zones Zone sites are to be located within 60 statute miles or 90 minutes' driving time, as determined or concurred upon by CBP.

Major Boundary Modification Major Boundary Modifications, that is those that require FTZ Board approval, shall be assessed new Application, Activation and Annual fees.

Minor Boundary Modifications Minor Boundary Modifications, that is those that can be administratively approved by the FTZ staff, shall be assessed rates as shown in Section 2.

Operator Agreements Before site activation with U.S. Customs and Border Protection, the Operator will be required to sign a Zone Site Operator Agreement. By signing this agreement, the operator accepts and assumes all and complete responsibility for, the operation, management, and maintenance of the Site.

Prohibited Uses Many products subject to an internal revenue tax may not be manufactured in a zone. These products include alcoholic beverages, products containing alcoholic beverages except domestic denatured distilled spirits, perfumes containing alcohol, tobacco products, firearms,

and sugar. In addition, the manufacture of clocks and watch movements is not permitted in a zone.

Public Utility Each zone shall be operated as a public utility, and all rates and charges for all services or privileges within the zone shall be fair and reasonable. A rate or charge may be imposed on zone participants to recover costs incurred by or on behalf of the Grantee for the performance of the Grantee function. Rates or charges may not be tied to the level of benefits derived by zone participants.

Retail Trade Retail trade is prohibited in activated areas of zones, except that (1) sales or other commercial activity involving domestic, duty-paid, and duty-free goods may be conducted within an activated area of a zone under a permit issued by the zone Grantee and approved by the Board, and (2) no permits shall be necessary for sales involving domestic, duty-paid or duty-free food and non-alcoholic beverage products sold within the zone or subzone for consumption on premises by individuals working therein.

Right of Entry Operator shall allow authorized representatives of the Foreign-Trade Zones Board, U.S. Customs and Border Protection, authorized United States government officials, Port of San Francisco staff, and any authorized representative of FTZ No. 3 to enter the site at any time during Operator's normal hours of operation.

Uniform Treatment A Grantee shall afford to all who may apply, to make use of or participate in the zone uniform treatment, under like conditions.

Zone Restricted Merchandise Merchandise, the importation of which is prohibited by law on grounds of public policy or morals, or any merchandise which is excluded from a zone by order of the Foreign-Trade Zones Board. Also, books urging treason or insurrection against the U.S. and obscene pictures. Also, certain operations involving the following merchandise are prohibited in zones: tobacco, cigars, cigarettes and cigarette papers and tubes, firearms, distilled spirits, alcohol, wine and beer, sugar, watch movements.

Zone Schedule No element of a zone schedule, including any amendment to the zone schedule, may be considered to be in effect until it is submitted to the FTZ Board Executive Secretary. A complete copy of the



zone schedule shall be freely available for public inspection at the offices of the zone Grantee and any operator offering FTZ services to the user community. The Board shall make copies of zone schedules available on its Web site.

2. Rates/Charges/Fees Assessed for Foreign Trade Zone No. 3

All fees are non-refundable and are to be paid prior to the Grantee's sponsorship or submission of request. The Operator/User is responsible for obtaining and preparing all required documents associated with said request.

Usage Driven Site (defined below)

A. Application for Usage Driven Site (ASF Minor Boundary

Modification).....\$5,000

Fee covers the cost associated with the Grantee's review of the User's prepared application, obtaining the necessary approvals and resolutions for the zone, negotiation of the User's Operating Agreement and the support required for the application process. The fee does not cover the development of the application itself.

B. Application for Production Authority within Usage Driven Site... \$3,000

Fee covers the cost associated with the Grantee's review of the prepared application (fee does not cover the development of the application).

C. Grantee Activation Concurrence\$2,000

Fee covers the Grantee expenses for the preparation and processing of the concurrence letter to US. Customs Service, and the necessary support required in the activation process.

Magnet Site (defined below)

A. Application for Magnet Site or associated ASF Minor Boundary

Modification.....\$5,000

Fee covers the cost associated with the Grantee's review of the prepared application (fee does not cover the development of the application).



B. Application for Production Authority per Operator/User within Magnet Site.....\$3,500
Fee covers the cost associated with the Grantee's review of the prepared application (fee does not cover the development of the application).

C. Grantee Activation Concurrence.....\$2,000
Fee covers the Grantee expenses for the preparation and processing of the concurrence letter to US. Customs Service, and the necessary support required in the activation process.

Subzone Site

A. Application for Subzone Site under the Traditional Site Framework or associated Major Boundary Modification.....\$10,000
Fee covers the cost associated with the Grantee's review of the User's prepared application, obtaining the necessary approvals and resolutions for the zone, negotiation of the User's Operating Agreement and the support required for the application process. The fee does not cover the development of the application itself.

B. Application for Subzone Site under the Alternative Site Framework or associated Minor Boundary Modification Framework.....\$5,000
Fee covers the cost associated with the Grantee's review of the User's prepared application, obtaining the necessary approvals and resolutions for the zone, negotiation of the User's Operating Agreement and the support required for the application process. The fee does not cover the development of the application itself.

C. Application for Manufacturing/Production Authority within Subzone.....\$3,500
Fee covers the cost associated with the Grantee's review of the prepared application (fee does not cover the development of the application).

D. Grantee Activation Concurrence.....\$2,000
Fee covers the Grantee expenses for the preparation and processing of the concurrence letter to US. Customs Service, and the necessary support required in the activation process.

Annual Fees

A. Usage Driven Site User or Magnet Site User	
less than 9,999 activated square feet.....	\$10,000
10,000-299,999 activated square feet.....	\$14,000
300,000-549,999 activated square feet.....	\$17,000
550,000 and above activated square feet.....	\$20,000
B. Subzone Site User.....	\$20,000
C. Non-activated Usage Driven / Magnet Site.....	\$2,500
D. Non-activated Subzone Site.....	\$5,000

Late Fees.....\$100/Calendar day

The Grantee is legally required to annually provide to the Foreign- Trade Zones Board an Annual Report within sixty (90) days after the close of the federal government calendar year (which runs January 1 through December 31). In the event that the Grantee does not file the Foreign-Trade Zones Board Annual report in the prescribed time frame, the Grantee may be subject to a fine for the late filing, or the incomplete filing of their annual report.

Every activated operator is required to provide to the Grantee an annual report of foreign-trade zone activity in the format required by the Foreign-Trade Zones Board, no later than March 1 of each year, in order to enable the Grantee to fulfill their legal obligations to the Foreign-Trade Zones Board.

An additional fee of \$100 per calendar day will be invoiced if the data is not provided by the March 1st deadline. In addition, should the Grantee be fined for the late or incomplete filing of the Foreign-Trade Zone Annual report due to the un-timeliness of data received from an operator, those fines will be invoiced in addition to the late fees.

Payment of late fees and/or accommodating penalties is expected within thirty (30) days of invoice date. Failure of payment may result in the suspension by the Grantee of foreign-trade zone activity for the operator.



3. Information on a Public Operator

Not used.

4. Rates/Charges Assessed by Public Operator

Not used.

Appendix A

Definitions

Act means the Foreign-Trade Zones Act of 1934, as amended (19 U.S.C. 81a-81u).

Activation fee covers Grantee expenses for providing the Grantee Concurrence Letter to Customs, and any necessary Grantee support required in the Customs Activation process.

Activation limit is the size of the physical area of a particular zone or subzone authorized by the Board to be simultaneously in activated status with CBP pursuant to 19 CFR 146.6. The activation limit for a particular zone/subzone is a figure explicitly specified by the Board in authorizing the zone (commonly 2,000 acres) or subzone or, in the absence of a specified figure, the total of the sizes of the approved sites of the zone/subzone.

Adjacency According to Section 400.21, zone sites must be within 60 miles or 90 minutes driving time of a U.S. Customs and Border Protection Port of Entry.

Alternative Site Framework (ASF) An optional approach to designation and management of zone sites allowing greater flexibility and responsiveness to serve single-operator/user locations. The ASF was adopted by the Board as a matter of practice in December 2008 (74 FR 1170, January 12, 2009; correction 74 FR 3987, January 22, 2009) and modified by the Board in November 2010 (75 FR 71069, November 22, 2010).

Annual fee covers Grantee expenses for oversight of the Subzone project and submission of the Annual Report to the Board.

Annual Reports Each operator's report to its zone's grantee is due by the deadline set by the grantee, March 1 (with the grantee then submitting its report to the FTZ Board by March 31). The FTZ Zone Site Operator must submit to the Grantee an annual report for the calendar year ending December 31st containing data required by the Board and Customs. All such statements shall be signed by appropriate officials, certifying the accuracy of the reports. All reports will need to be submitted via the Online



FTZ Information System (OFIS). Operators can indicate if their data are considered "business proprietary," in which case any public reports generated based on that data will only indicate ranges into which the data fall.

Application fee covers Grantee expenses for obtaining the necessary approvals and resolutions for the zone, submission of the zone Application to the Foreign-Trade Zones Board, preparation and processing of the Operations Agreement and any necessary support required in the Application process.

Board means the Foreign-Trade Zones Board, which consists of the Secretary of the Department of Commerce (chairman) and the Secretary of the Treasury, or their designated alternates.

Board Order is a type of document that indicates a final decision of the Board. Board Orders are generally published in the Federal Register after issuance.

CBP means U.S. Customs and Border Protection.

CPB Regulations Foreign-Trade Zone No. 3 is subject to regulations of the U.S. Customs and Board Protection, as defined in 19 CFR Part 146.

Deactivation A previously activated usage-driven or subzone site which no longer has local CBP authorization for activity under FTZ procedures.

Deleted A site or portion of a site that once held zone status, but has been removed from the zone through an administrative minor modification by the FTZ Board staff or an FTZ Board application process.

Domestic Status Used synonymously with Domestic origin/duty paid. Domestic status is the customs status (19 CFR 146.43) for domestic origin and duty paid foreign origin zone merchandise.

Entry for Consumption The term that describes the general customs process of filing the appropriate CBP documents (including duty evaluation) that allows merchandise to be brought into the commerce of the U.S. (19 CFR 141). With respect to foreign-trade zones, this process occurs when merchandise is shipped from the zone into U.S. commerce.

Executive Secretary is the Executive Secretary of the Foreign-Trade Zones Board.

Exports The category of merchandise that is forwarded from zone sites to destinations in foreign countries.

Foreign-trade zone (FTZ or Zone) includes one or more restricted-access sites, including subzones, in or adjacent (as defined by Sec. 400.11(b)(2)) to a CBP port of entry, operated as a public utility (within the meaning of Sec. 400.42) under the sponsorship of a zone Grantee authorized by the Board, with zone operations under the supervision of CBP.

Foreign Status Describes zone merchandise admitted to a zone site under CBP supervision that is normally of foreign origin. Such merchandise is admitted to zone sites without being subject to formal customs entry procedures and payment of duties, unless and until the foreign merchandise enters customs territory for domestic consumption. Foreign status merchandise is further categorized by CBP as either Non-Privileged Foreign or Privileged Foreign

Foreign-Trade Zones Board Consists of the Secretary of Commerce (chairman) and the Secretary of Treasury, or their designated alternates.

Foreign Trade Zone Board Regulations Foreign-Trade Zone No. 3 is subject to regulations of the Foreign-Trade Zone Board, as defined in 15 CFR Part 400.

Forwarded The category of merchandise that is shipped from zone sites after release by CBP. This category includes merchandise that is shipped to destinations in the U.S. market as well as merchandise that is exported--that is, forwarded to markets in foreign countries.

Grant of authority is a document issued by the Board that authorizes a zone Grantee to establish, operate and maintain a zone, subject to limitations and conditions specified in this part and in 19 CFR Part 146. The authority to establish a zone includes the responsibility to manage it.

Inactive A usage-driven, magnet or subzone site that has been approved by the FTZ Board, but is not activated with CBP. No activity under FTZ procedures is occurring at an inactive site.

Lapse Provision or Sunset Provision A grant of authority for a zone or a subzone shall lapse unless the zone project, or subzone facility, is activated, pursuant to 19 CFR Part 146, and in operation not later than five years from the date of the Board order.

Magnet Site means a site intended to serve or attract multiple operators or users under the ASF.

Merchandise Received Involves merchandise received into activated FTZ space under FTZ procedures by foreign trade zones and subzones. It includes foreign status merchandise and domestic status merchandise.

Modification A major boundary modification is a proposed change to a zone that requires action by the FTZ Board; a minor boundary modification is a proposed change to a zone that may be authorized by the Executive Secretary

Non Privileged Status Non-Privileged Foreign (NPF) Status - One of the customs categories of foreign status merchandise (See 19 CFR 146.42). Such merchandise is evaluated based on its condition at the time it is shipped from the zone to the U.S. market and entered for consumption by CBP.

Operator A corporation, partnership, or person that operates a zone or subzone under the terms of an agreement with the zone Grantee (or third party on behalf of the Grantee) with the concurrence of the Port Director of CBP.

Person includes any individual, corporation, or entity.

Port of entry means a port of entry in the United States, as defined by part 101 of the customs regulations (19 CFR part 101), or a user fee airport authorized under 19 U.S.C. 58b and listed in part 122 of the customs regulations (19 CFR part 122).

Privileged Foreign (PF) Status One of the customs categories of foreign status merchandise (See 19 CFR 146.41). Such merchandise maintains its status based on its condition when it was admitted to the zone. Thus, when the merchandise is shipped from the zone to the U.S. market and entered

for consumption by CBP, it is evaluated based on the time-of-admission condition even though it may have undergone a transformation in the zone.

Private corporation means any corporation, other than a public corporation, which is organized for the purpose of establishing, operating and maintaining a zone and which is chartered for this purpose under a law of the state in which the zone is located.

Production or Processing, as used in this part, means activity involving the substantial transformation of a foreign article resulting in a new and different article having a different name, character, and use, or activity involving a change in the condition of the article which results in a change in the customs classification of the article or in its eligibility for entry for consumption.

Production or Processing Fee The fee will cover the Grantee expenses for processing the Production Notification, submission of the Request to the Board, public notice and base support services required in the approval process.

Public corporation means a state, a political subdivision (including a municipality) or public agency thereof, or a corporate municipal instrumentality of one or more states.

Service area means the jurisdiction(s) within which a Grantee proposes to be able to designate sites via minor boundary modifications under the ASF.

State includes any state of the United States, the District of Columbia, and Puerto Rico.

Subzone Site means a site (or group of sites) established for a specific use.

Terminated If a general purpose zone or subzone is no longer needed, the Grantee can request that the FTZ Board remove zone/subzone designation. Upon such action by the FTZ Board, the zone or subzone is then considered terminated.

Traditional Site Framework (TSF) This is the traditional format, used previous to ASF, to have an area designated a zone site. The Grantee's letter submitting the application should indicate whether the proposed subzone would be subject to the zone's approved activation limit (which would enable a 30-45 day processing time instead of 120 days). When an application has been filed, the FTZ staff publishes a notice in the *Federal Register* opening a public comment period. The applicant also must publish notice in a local newspaper describing the proposal. The TSF application fee to the FTZ Board for subzones not involving production activity or involving production activity with less than 3 products is \$4,000. The application fee to the FTZ Board for TSF subzones involving production activity with 3 or more products is \$6,500.

User A party using a zone under agreement with a zone operator.

Usage-driven site means a site tied to a single operator or user under the ASF.

Zone means a foreign-trade zone established under the provisions of the Act and these regulations. Where used in this part, the term also includes subzones, unless the context indicates otherwise.

Zone Grantee is the corporate recipient of a grant of authority for a zone. Where used in this part, the term "Grantee" means "Zone Grantee" unless otherwise indicated.

Zone Operator is a person that operates within a zone or subzone under the terms of an agreement with the zone Grantee (or third party on behalf of the Grantee), with the concurrence of CBP.

Zone Restricted Status Merchandise in this status is to be exported or destroyed. Zone-restricted status merchandise can be entered into U.S. customs territory only if the FTZ Board finds that entry would be in the public interest.

Zone Schedule To be kept by the zone Grantee, the zone schedule includes the internal rules and regulations of the zone, as well as a statement of the rates and fees charged to zone users.

Zone Site (Site) means a physical location of a zone or subzone. A site is composed of one or more generally contiguous parcels of land organized and functioning as an integrated unit, such as all or part of an industrial park or air or water port facility.

Zone Status Merchandise can enter the zone in either domestic or foreign status. Domestic status can include foreign status goods where the duty has been paid and the goods entered for consumption. Foreign status includes privileged foreign, non-privileged foreign and zone-restricted status.

Zone user is a party using a zone under agreement with a zone operator.

Source: Foreign-Trade Zones Board, "Glossary of FTZ Terms":
<http://enforcement.trade.gov/ftzpage/grantee/glossary.html>





MEMORANDUM

February 21, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *M. Moyer*
Executive Director

SUBJECT: Request approval of the Port's Fiscal Year (FY) 2014-15 and FY 2015-16 Biennial Operating & Capital Budget

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

On February 11, 2014, Port staff presented an informational report to the Port Commission on the proposed Fiscal Year (FY) 2014-15 and FY 2015-16 Biennial Operating and Capital Budget. During the meeting, the Port Commissioners asked numerous, detailed questions and both Commissioner Kimberly Brandon and Commission President Leslie Katz asked for additional reports. Such additional reports consist of 1) more Operating Budget detail, 2) a complete list of funded and not funded capital projects and 3) more detail about capital project funding levels and sources and have been added to this staff report as Attachments III, IV and V. Additionally, in response to questions from Commissioner Mel Murphy, Attachment V and VI were added to the report to show 1) a historical comparison of capital funding relative to Operating Revenues and 2) the Port's vacancy rate. No other changes have been made to the report or the budget since the Port Commission's review on February 11, 2014.

Recommendation

Based on the Port's operating, project and capital needs and the availability of funding sources, Port staff submits the proposed FY 2014-15 and FY 2015-16 Biennial Operating and Capital Budget and recommends the Port Commission approve the proposed budget for submission to Mayor Edwin Lee and the Board of Supervisors. Port staff will return to the Port Commission later this summer to report on the adopted FY 2014-15 and FY 2015-16 Biennial Operating and Capital Budget and detail for Port Commission approval changes made by staff, the Mayor or the Board of Supervisors.

This Print Covers Calendar Item No. 9A

CITY BUDGET OUTLOOK

While the local economy is improving, the Mayor's Office of Public Policy and Finance currently projects General Fund shortfalls of \$100.7 million for FY 2014-15 and an additional \$17.6 million in FY 2015-16, for a two-year shortfall of \$118.3 million. *Table 1* below shows the contributing factors to these shortfall projections, which include strong year-over-year local tax revenue growth offset by a loss of Fund Balance, expiration of one-time solutions, and growing expenses, particularly for personnel.

Table 1: Explanation of City's General Fund Deficits (\$ millions)

Major Revenue Changes		
	FY 2014-15	FY 2015-16
General Fund Revenues	\$ 123.8	\$ 149.5
Change in Starting Fund Balance	(47.4)	-
Change in One Time Sources	(13.3)	(16.3)
<i>Total Sources</i>	<i>\$ 63.1</i>	<i>\$ 133.2</i>
Major Expenditure Changes		
	FY 2014-15	FY 2015-16
Baselines and Reserves	\$ (17.4)	\$ (5.1)
Salaries and Fringe Benefits	(100.5)	(16.3)
Citywide Capital Budget	(26.3)	(36.1)
Departmental Uses	(8.8)	(40.4)
All Other Changes	(10.8)	(52.9)
<i>Total Uses</i>	<i>\$ (163.8)</i>	<i>\$ (150.8)</i>
Cumulative Shortfall	\$ (100.7)	\$ (118.3)

In order to address the shortfalls, Mayor Lee directed General Fund departments to submit ongoing savings equal to 1.5% of their General Fund Support for FY 2014-15 and 1.0% of their General Fund Support for FY 2015-16. Additionally, those departments were asked to submit contingency savings proposals equal to 1% of their General Fund Support for FY 2015-16.

While the Port is not subject directly to the Mayor's budget cuts, Enterprise departments were directed to submit balanced budgets. The Port is able to support growing expenses in FY 2014-15 and FY 2015-16 through improved revenue projections, meet the Operating Reserve Policy and the Capital Policy, fund new positions for operations and support additional debt service.

BUDGET OVERVIEW

The proposed budget for FY 2014-15 is \$115.9 million, a \$10.5 million (10.0%) increase over the FY 2013-14 approved budget. This includes \$77.9 million for the Operating Budget, a \$3.3 million (4.5%) increase, \$8.6 million for Other Projects, a \$4.3 million (98.9%) increase, and \$12.8 million for the Capital Budget, a \$1.2 million (-8.6%)

decrease. The proposed budget for FY 2015-16 is \$120.9 million, a \$5.0 million (4.3%) increase from the proposed budget for FY 2014-15. This includes \$78.6 million for the Operating Budget, a \$0.8 million (1.0%) increase, \$8.7 million for Other Projects, a \$0.1 million (0.9%) increase, and \$12.8 million for the Capital Budget, which is flat year over year.

Table 2: Summary of Total Port Sources and Uses

	Budget 2013-14	Proposed 2014-15	Change from Approved 2013-14		Proposed 2015-16	Change from Proposed 2014-15	
			Amount	%		Amount	%
Sources							
Estimated Fund Balance	\$23,663,134	\$ 23,280,000	\$ (383,134)	-1.6%	\$ 23,350,000	\$ 70,000	0.3%
Operating Revenue	76,833,755	83,458,300	6,624,545	8.6%	88,275,300	4,817,000	5.8%
Development Recoveries (New)	-	4,220,000	4,220,000	0.0%	4,227,245	7,245	0.2%
South Beach Harbor & Marina	4,346,475	4,426,563	80,088	1.8%	4,499,200	72,637	1.6%
Transbay Enviro. Payment	550,000	550,000	-	0.0%	550,000	-	0.0%
Other Project Revenue, Subtotal	4,896,475	9,196,563	4,300,088	87.8%	9,276,445	79,882	0.9%
Total Sources	\$ 105,393,364	\$ 115,934,863	\$ 10,541,499	10.0%	\$ 120,901,745	\$ 4,966,882	4.3%
Uses							
Operating Expenses	\$ 70,272,515	\$ 73,564,673	\$ 3,292,158	4.7%	\$ 74,006,900	\$ 442,227	0.6%
Annual Projects	4,270,466	4,308,806	38,340	0.9%	4,622,722	313,916	7.3%
Operating Budget, Subtotal	74,542,981	77,873,479	3,330,498	4.5%	78,629,622	756,143	1.0%
Development Projects (New)	-	4,220,000	4,220,000	0.0%	4,227,245	7,245	0.2%
South Beach Harbor & Marina	4,346,475	4,426,563	80,088	1.8%	4,499,200	72,637	1.6%
Other Projects, Subtotal	4,346,475	8,646,563	4,300,088	98.9%	8,726,445	79,882	0.9%
Capital Project Appropriations	14,000,000	12,800,000	(1,200,000)	-8.6%	12,800,000	-	0.0%
Defunded Projects	-	(5,234,575)	(5,234,575)	0.0%	-	5,234,575	0.0%
Reallocation to New Projects	-	5,234,575	5,234,575	0.0%	-	(5,234,575)	0.0%
Capital Budget, Subtotal	14,000,000	12,800,000	(1,200,000)	-8.6%	12,800,000	-	0.0%
Total Expenses	92,889,456	99,320,042	6,430,586	6.9%	100,156,067	836,025	0.8%
Designation to Future Capital	1,952,418	5,584,821	3,632,403	186.0%	9,645,678	4,060,857	72.7%
15% Operating Expense Reserve	10,551,490	11,030,000	478,510	4.5%	11,100,000	70,000	0.6%
Reserves, Subtotal	\$ 12,503,908	\$ 16,614,821	4,110,913	32.9%	\$ 20,745,678	4,130,857	24.9%
Total Uses	\$ 105,393,364	\$ 115,934,863	\$ 10,541,499	10.0%	\$ 120,901,745	\$ 4,966,882	4.3%

In both years the budget meets the 15 percent Operating Reserve requirement and exceeds the Port's Capital Policy to direct an amount equal to or greater than 20 percent of Operating Revenues to the capital budget and to a designation that supports the capital budget the following year.¹

¹ The Port Commission passed a policy in 2008 that requires the Port to maintain a 15 percent reserve of funds for Operating Expenditures.

FUNDING SOURCES

The \$115.9 million FY 2014-15 proposed budget and the \$120.9 million FY 2015-16 proposed budget reflect \$10.5 million (10.0%) and \$5.0 million (4.3%) increases in available sources, respectively. While Fund Balance changed moderately each year, the key drivers to the changes are Operating Revenue and additional recoveries from developers for expenses as approved in various Exclusive Negotiating Agreements (ENAs). Such recoveries are fully offset by additional expenses.

Fund Balance

The Port's Fund Balance is used to fund capital projects and the 15 percent Operating Reserve. Fund Balance accumulates as a result of year-end surplus and the relatively new practice of designating projected net operating revenue to future capital projects.² For FY 2013-14, Port staff projects a year-end balance of \$12.7 million that includes a conservative estimate of \$10.7 million in expenditure savings and surplus revenues and \$2.0 million from the FY 2013-14 Designation to Future Capital. This combined amount plus the \$10.6 million of unused Operating Reserve equates to an estimated \$23.3 million Fund Balance for use in the FY 2014-15 proposed budget.

Table 3: Sources of FY 2014-15 Fund Balance (\$ millions)

Projected Operating Budget Surplus	\$ 10.7
FY 2013-14 Budgeted Designation to Capital	2.0
<u>15% Operating Expenditure Reserve</u>	<u>10.6</u>
Projected Fund Balance, FY 2014-15	\$ 23.3

The FY 2015-16 Fund Balance projection is \$23.4 million, a \$0.1 million (0.3%) increase, to accommodate the growth in the 15 percent Operating Reserve. If the FY 2013-14 and FY 2014-15 year-end balances come in stronger than currently projected, Port staff will present additional options to the Port Commission for capital spending in the FY 2015-16 budget.

Operating Revenues

The proposed \$83.5 million FY 2014-15 Operating Revenue budget reflects a \$6.6 million (8.6%) increase over the FY 2013-14 budget. The proposed \$88.3 million FY 2015-16 budget reflects a \$4.8 million (5.8%) increase over the proposed FY 2014-15 budget. Comparisons of the drivers of these increases are illustrated in the figures and table below. As shown in **Figure 1**, Commercial/Industrial Rent and Parking comprise 76 percent of Operating Revenue. Additionally, as shown in **Figure 2**, over the two-year period, Commercial/Industrial Rent and Parking and Cruise are the primary drivers of revenue growth in the Operating Budget.

² Rather than fund capital projects with Operating Revenue, this practice ensures that revenues are fully realized before they are committed to capital projects. At the end of the fiscal year, designated revenues are actualized and then appropriated for the following year's Capital budget.

Figure 1: FY 2014-15 Major Revenue Categories

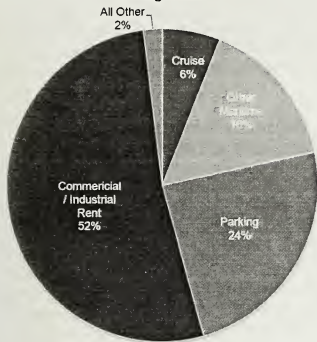


Figure 2: Percentage of Growth, by Major Area FY 2014-15 through FY 2015-16

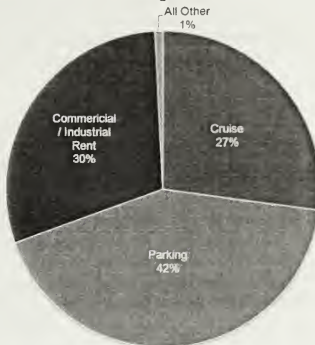


Table 4: Summary of Port Operating Revenues

	Budget 2013-14	Proposed 2014-15	Change from Budget 2013-14		Proposed 2015-16	Change from Projected 2012-13	
			Amount	Percent		Amount	Percent
Maritime							
Cruise	\$ 3,162,000	\$ 5,050,000	\$ 1,888,000	59.7%	\$ 6,271,000	\$ 1,221,000	24.2%
Cargo	4,875,564	5,080,000	204,436	4.2%	5,228,000	148,000	2.9%
Fishing	2,110,000	2,237,000	127,000	6.0%	2,281,000	44,000	2.0%
Other Marine	1,607,000	1,695,000	88,000	5.5%	1,731,000	36,000	2.1%
Harbor Services	1,992,300	2,061,000	68,700	3.4%	2,102,000	41,000	2.0%
Ship Repair	1,893,167	1,906,000	12,833	0.7%	1,547,000	-359,000	-18.8%
Subtotal, Maritime	15,640,031	18,029,000	2,388,969	15.3%	19,160,000	1,131,000	6.3%
Real Estate							
Parking	16,388,641	20,048,000	3,659,359	22.3%	21,229,000	1,181,000	5.9%
Commercial/ Industrial Rent	42,827,724	43,728,000	900,276	2.1%	46,228,000	2,500,000	5.7%
Subtotal, Real Estate	59,216,365	63,776,000	4,559,635	7.7%	67,457,000	3,681,000	5.8%
Other							
Developer Fees	300,000	-	(300,000)	-100.0%	-	0	0.0%
Permits	500,000	783,000	283,000	56.6%	785,000	2,000	0.3%
Special Events	47,000	51,000	4,000	8.5%	52,000	1,000	2.0%
Penalties/ Charges	19,300	19,300	-	0.0%	19,300	0	0.0%
Facility Damage	6,000	6,000	-	0.0%	6,000	0	0.0%
Miscellaneous	292,559	194,000	(98,559)	-33.7%	196,000	2,000	1.0%
Interest on Investments	812,500	600,000	(212,500)	-26.2%	600,000	0	0.0%
Subtotal, Other	1,977,359	1,653,300	(324,059)	-16.4%	1,658,300	5,000	0.3%
Total, Operating Revenues	\$ 76,833,755	\$ 83,458,300	\$ 6,624,545	8.6%	\$ 88,275,300	\$ 4,817,000	5.8%

The key trends behind revenue growth in the FY 2014-15 and FY 2015-16 budgets are:

Cruise – Cruise revenue is generated from passenger cruise vessel operations, including dockage and wharfage fees that are charged to cruise ships for berthing at Port facilities as well as the loading and unloading of passengers. Cruise revenues are projected to increase by \$1.9 million (59.7%) in FY 2014-15 and an additional \$1.2 million (24.2%) in FY 2015-16.

One major aspect of the revenue projection is an increase in wharfage and dockage revenues due to additional cruise call bookings for the 2014 and 2015 cruise seasons, as shown in **Table 5**. Additionally, revenues will increase by \$0.9 million in FY 2014-15 and \$1.5 million in FY 2015-16 as a result of implementing a Passenger Facility Charge (PFC) of \$6 per passenger to finance a portion of the new James R. Herman Cruise Terminal, which is scheduled to open in September 2014.³ Notably, Cruise revenues also include new Special Events and Parking revenues estimated at \$0.6 million in FY 2014-15 and \$1.2 million in FY 2015-16 as a result of the opening of the new cruise terminal.⁴ Revenues from the PFC, Parking and Special Events are all lower in the first year to reflect the partial year benefit that will result from opening the James R. Herman Cruise Terminal mid-way through the cruise season.

Table 5: Summary of Cruise Traffic and Revenues

	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>
Cruise Calls	64	73	73
Passenger Volume	241,000	261,000	261,000
Wharfage and Dockage Revenues	\$3,000,000	\$3,600,000	\$3,600,000
\$6 Passenger Facility Charge	NA	\$900,000	\$1,500,000
Special Events	NA	\$300,000	\$600,000
Parking Revenue	NA	\$300,000	\$600,000

Parking – Revenue from Parking is generated from street parking meters, monthly parking stalls, the rental of parking lot space to management operators, and parking ticket fines. In FY 2014-15 parking revenue is projected to increase by \$3.7 million (22.3%) including \$2.0 million (21.0%) for rent from parking lot operators, \$0.9 million (23.1%) for meters and \$0.8 million (33.2%) for fines. In FY 2015-16 revenues are projected to increase by an additional \$1.2 million (5.9%). In addition to a 2.5% assumed inflation from current revenue trends, the main driver behind the growth is returning 34th America's Cup (AC34) venue sites to interim parking, resulting in \$1.3 million and \$1.8 million in revenues in FY 2014-15 and FY 2015-16.

Commercial/Industrial Rents – Port Commercial/Industrial Rents are derived from established lease rates and percentage rent from leasing office, retail, warehouse and

³ The PFC directly offsets additional Debt Service that is included in the Operating Budget.

⁴ Revenues are subject to the business terms of the management agreement with Metro Cruises, which is currently under negotiation.

industrial property to non-maritime industry tenants. In FY 2014-15 Commercial/Industrial rent is expected to increase by \$0.9 million (2.1%) largely as a result of releasing AC34 venue sites. In FY 2015-16 Commercial/Industrial rent is projected to increase by an additional \$2.5 million (5.7%) when AC34 venue sites are fully utilized and other facilities, including Pier 31 and the remaining portion of Pier 33, are leased out.

Other Project Revenues

The budget includes revenue sources that are dedicated to specific expenditures that the Port budgets as special projects.

Table 6: Summary of Other Project Revenues

	Budget 2013-14	Proposed 2014-15	Change from Budget 2013-14		Proposed 2015-16	Change from Projected 2012-13	
			Amount	Percent		Amount	Percent
Development Recoveries	\$ -	\$ 4,220,000	\$ 4,220,000	100.0%	\$ 4,227,245	\$ 7,245	0.2%
South Beach Harbor Revenues	4,346,475	4,426,563	80,088	1.8%	4,499,200	72,637	1.6%
Transbay Environ. Payment	550,000	550,000	-	0.0%	550,000	-	0.0%
<i>Total Project Revenues</i>	<i>\$ 4,896,475</i>	<i>\$ 9,196,563</i>	<i>\$ 4,300,088</i>	<i>87.8%</i>	<i>\$ 9,276,445</i>	<i>\$ 79,882</i>	<i>0.9%</i>

Developer Transaction Payments (NEW) – In recent years the Port expended operating funds on professional services, legal costs from the City Attorney and outside counsel, Office of Economic and Workforce Development (OEWD) staff time and Planning Department permitting fees related to major development projects. As a result of Exclusive Negotiating Agreements (ENAs) for projects including the Warriors Pavilion at Piers 30-32, the Forest City and Orton Development projects at Pier 70, Mission Rock at Sea Wall Lot 337 and 8 Washington, the Port has recovered and will be able to continue to recover future transaction costs from developers. Based upon projected spending in FY 2014-15 and FY 2015-16, the budget includes a new recovery line of \$4.2 million of payments from developers. These recoveries are fully offset by related expenditures.

South Beach Harbor Operating Funds – The South Beach Harbor generates revenue as a full service marina, which consists of 700 slips with concrete docks, a 640 foot recreational and commercial Guest Dock, and the Pier 40 Maritime Center. The FY 2014-15 proposed budget includes \$4.4 million in revenues, a \$0.1 million (1.8%) increase from FY 2013-14, and the FY 2015-16 proposed budget includes \$4.5 million, a \$0.1 million (1.6%) increase from the proposed FY 2014-15 budget. These changes reflect annual inflation of berthing rates to fully support the harbor's operating expenses.

The Port and the Office of Community Investment and Infrastructure (OCII) are in ongoing discussions with the goal of terminating the South Beach/Rincon Point leases effective July 1, 2014. This action would make the Port responsible for the operations and liabilities of South Beach Harbor. Negotiations have focused on securing tax increment for the repayment of South Beach revenue bonds, resolving the outstanding

Bay Conservation and Development Commission construction permit obligations, and the terms and conditions of outstanding California Boating and Waterways loans. The Port has focused on ensuring that the South Beach Harbor is a self-supporting program prior to the transfer. The proposed budget may be adjusted to reflect a July 1, 2014 transfer, subject to future Port Commission, OCII and Oversight Board approval.

Transbay Environmental Payment – Each fiscal year the Port receives a \$0.6 million annual payment from the Transbay Cable Company that directly funds a project in the Capital Budget for the development of new open spaces, improvements to existing open spaces, and/or alternative energy projects that meet guidelines outlined in the Port's lease agreement with Transbay Cable Company. In FY 2014-15 and FY 2015-16 these funds will be combined with other sources to fund the development of the new Crane Cove Park.

OPERATING EXPENDITURES

The proposed \$77.9 million FY 2014-15 Operating Budget reflects a \$3.3 million (4.5%) increase over the FY 2013-14 budget. The proposed \$78.6 million FY 2015-16 budget reflects a \$0.8 million (1.0%) increase over the proposed FY 2014-15 budget. As shown in **Figure 3**, Personnel and Workorders comprise well over half the expenses in the Operating Budget. Additionally, as shown in **Figure 4**, over the two-year period, Personnel, Other Current Expenses and Annual Projects are the primary drivers of expenditure growth in the Operating Budget.

Figure 3: FY 2014-15 Major Expenditure Categories.

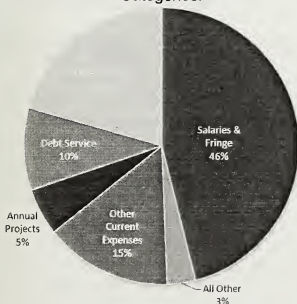


Figure 4: Percentage of Growth, by Major Area FY 2014-15 through FY 2015-16

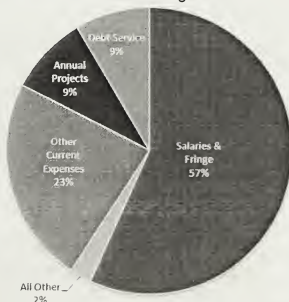


Table 7: Summary of Port Operating Expenditures & Annual Projects

	Budget 2013-14	Proposed 2014-15	Change from Budget 2013-14		Proposed 2015-16	Change from Proposed 2014-15	
			Amount	Percent		Amount	Percent
Salaries & Benefits	\$33,828,564	\$35,828,796	\$2,000,232	5.9%	\$36,059,809	\$ 231,013	0.6%
City-wide Overhead	315,652	315,652	-	0.0%	315,652	\$ -	0.0%
Other Current Expenses	10,671,265	11,557,701	886,436	8.3%	11,584,582	\$ 26,881	0.2%
Materials and Supplies	1,439,598	1,522,660	83,062	5.8%	1,536,362	\$ 13,702	0.9%
Capital Outlay (Equipment)	477,421	768,184	290,763	60.9%	855,856	\$ 87,673	11.4%
Annual Projects	4,270,466	4,308,806	38,340	0.9%	4,622,722	\$ 313,916	7.3%
Debt Service	7,089,872	7,525,228	435,356	6.1%	7,424,036	\$ (101,192)	-1.3%
Interdept. Workorders	16,623,371	16,219,680	(403,691)	-2.4%	16,403,832	\$ 184,152	1.1%
Interdept. Recoveries	(173,228)	(173,228)	-	0.0%	(173,228)	\$ -	0.0%
Total Expenditures	\$74,542,981	\$77,873,479	\$3,330,498	4.5%	\$78,629,624	\$ 756,145	1.0%

The specific trends behind the expenditure changes in the FY 2014-15 and FY 2015-16 budgets are described below.

Salaries and Fringe Benefits

One of the Port's greatest assets is its staff, which comprises approximately 46 percent of all costs in the operating budget. Salary and fringe expenditures increase by a total of \$2.0 million (5.9%) in the FY 2014-15 proposed budget and by an additional \$0.2 million (0.6%) in the FY 2015-16 proposed budget. As detailed below, much of the growth is related to the cost of existing staff, but proposed new and substituted positions also contribute to the additional cost and Full Time Equivalent (FTE) count of personnel in the proposed two-year budget.

Existing Employees – The cost of existing personnel increases by \$1.2 million (1.2%) in the FY 2014-15 proposed budget. This change includes \$0.3 million for salaries due to the wage increases that were included in expiring Memoranda of Understanding. Additionally, a \$0.9 million increase in fringe benefits reflects the cost of replenishing the City's retirement system, which suffered significant losses during the last economic downturn. FY 2014-15 will be the last of a five-year funding effort by all City departments to bring pension funds back up to the estimated requirement to adequately support retired City employees in the future. In FY 2015-16, the cost of existing employees remains flat.

Despite salary and fringe benefit increases that are already reflected in the two-year budget, almost all City labor contracts are currently under negotiation and will likely have an additional fiscal impact. It is too early to predict the terms of any new agreements that will be included in Mayor Lee's Proposed Budget, but the FY 2014-15 and FY 2015-16 budgets each include contingency funding of \$0.3 million to help absorb any additional personnel costs. If the contingency funding is not sufficient, Port staff will work with the Mayor's staff to remove lower priority new or substituted positions that are proposed in the budget to balance the budget. Alternatively, any remaining

contingency funds will be designated to future capital or shifted to other priorities identified during the Board of Supervisors' phase of the budget process.

Proposed Position Changes – The FY 2014-15 and FY 2015-16 proposed budgets include \$0.8 million and \$0.3 million in new salaries and fringe benefit expenses related to new and substituted positions, as detailed in *Attachment I – Proposed Position Changes, FY 2014-15 and FY 2015-16*. The proposed positions increase the Port's current FTE count of 261.74 FTE by 7.56 FTE, including 6.10 FTE in FY 2014-15 and an additional 1.46 FTE in FY 2015-16, for a new total of 269.30 FTE.

While the proposed investments are significant, Port Staff reviewed an extensive backlog of position requests that has limited the Port's ability to seek and protect revenues, operate efficiently, meet strategic goals and address a changing and complex operational environment. Also, in the last several years, the Port has experienced increases in the number of visitors to its properties and anticipates that the number will grow with the opening of the James R. Herman Cruise Terminal. This increase in population and activity along the waterfront has created operational impacts, particularly in the Maintenance Division. The key themes that justify the eight new positions, 13 substitutions and four reassignments detailed in *Attachment I* are:

- ***Managing Property & Asset Portfolios:*** The Real Estate Division requires additional resources to oversee the Port's assets and lease portfolio and, therefore, protect existing revenue and develop new revenue. To address this need, the budget includes a substitution of an existing project-funded 0922 Manager I position to an Operating Budget-funded position in the Real Estate Division that will manage the Port's asset portfolio and help identify and direct strategic investment in Port infrastructure. The proposed new Asset Manager position will advise the Port on strategic real estate leasing, improvements and positioning of the Port's entire real estate portfolio. The Asset Manager will work closely with the property managers, leasing managers, and Deputy Directors who handle the day-to-day operations of the properties. The Asset Manager will be active in the industry, be and stay knowledgeable of best practices, and advise the Port on how best to position available assets to maximize revenues within the permitted use constraints. The Asset Manager will devise strategies for targeting certain industries/tenants and will closely monitor market trends and advise the Port on how best to implement them.

Also, a new 9395 Property Manager is proposed to provide property management services. The Port has 550 real estate leases outstanding, representing over 20 million square feet and with an average lease expiration rate of 10% (approximately 60 per annum). The most demanding areas for property management are in the northern waterfront, particularly the Fisherman's Wharf area where there is huge density, numerous longtime tenants and a myriad of outdated lease practices and terms. Property managers spend a lot of their time helping the tenants address their needs, keeping them in compliance with the myriad regulations imposed by the City, BCDC and State Lands, assisting them with permits and facilitating property repairs and improvements. Currently, Port property managers are handling a work load that far eclipses their public sector and private sector counterparts.

Each Port Property Manager manages an average of 90 tenants. In comparison, property managers in the private sector typically manage 25 to 30 tenants and often do not have the added renewal/leasing responsibilities held by Port Property Managers. The City's Department of Real Estate manages 60 buildings (4 million square feet) representing 220 tenants with seven property managers. This equates to 34 tenants per property manager. The Airport also employs eight property managers to manage 250 commercial agreements (62 leases per property manager). The Airport employs an additional seven property managers to manage 200 aviation agreements (28 leases per managers). The addition of an additional Port property manager as proposed in the budget reduces the number of tenants managed by each property manager to approximately 78 (which is still three times the workload of the private sector) and helps to increase the Port's processing of customer needs and the generation of revenues.

- *Realigning Maintenance Division Upper Management:* Reorganizing upper-level management of the Maintenance Division will provide the Deputy Director with much needed support and achieve operational efficiencies by realigning reporting structures of Maintenance shops to allow for more oversight and direction. To achieve these goals, the budget proposes a new 0932 Manager IV position in FY 2015-16 to serve as Assistant Deputy Director and a downward substitution of a 0931 Manager III to a 0922 Manager I in FY 2014-15.

The new 0932 Manager IV (Assistant Deputy Director) will oversee all daily operations through four management level direct reports who support 17 crews and over 105 staff employees. With the new position in place, the key functional areas of the Maintenance Division will be realigned under the new 0932 Manager IV (streets and environmental services)⁵, an existing 0931 Manager III (facilities maintenance and operation services)⁶ and the proposed 0922 Manager I (pile work operations) to bring a greater focus on the coordination of Maintenance responsibilities and on the scope of maintenance projects. Additionally, this position will enable the Deputy Director to focus on long-term strategic planning, resource management and organizational development.

The 0922 Manager I will manage the Pile Driving Operation, which includes overseeing five crews and five direct supervisors for the Maintenance Division. This position will focus solely on delivering pile repair projects that are scheduled over the next three years and will work with Port engineers on designing, scoping, costing and scheduling all pile work. By performing work in-house, the pile worker crews have saved the Port several million dollars over the last three years.

⁵ The streets and environmental services unit will keep the Port streets and sidewalks clean while delivering quality services with low adverse impact on the public, visitors, and tenants. This entails performing power washing at a time that the people are not impacted by the spray and performing trash pickup and street curb sweeping when most traffic efficient.

⁶ The facilities maintenance and operation services manager will oversee maintenance and repair services performed by the trade crafts. This consolidation of trade crafts into a single unit provides improved service deliverability through inter-coordination of crafts in multi-craft jobs.

- *Maintenance Division Efficiencies:* Maintenance operations can be improved by 1) substituting one vacant 3417 Gardener to a 7514 General Laborer to diversify the skills and responsibilities of the three-person gardening crew; and 2) adding a new 7215 Laborer Supervisor will enable cleaning of Port property in two shifts. This position will supervise a new night cleaning crew and is essential for ensuring provision of services and accountability.
- *Management of Critical Development and Other Projects:* The proposed FY 2014-15 and FY 2015-16 budgets each include \$175,000 in Temporary Salaries that is allocated between the Executive (\$75,000), Planning & Development (\$50,000) and Maritime (\$50,000) divisions. These as-needed temporary salaries will enable the divisions to hire project managers to direct strategic projects through short- or mid-term phases and processes without committing permanent staff. Examples of projects that may be assigned to temporary staff include oversight of the Port's under-pier utilities repairs, expanding outreach to Local Business Enterprises and specific aspects of moving development projects forward that require additional skill and expertise.
- *Prioritizing Workforce Development:* Every fiscal year the Port invests in workforce development programs, including working with the OEWD/City Build to train crafts that are relevant to the Port. In an effort to place more of a priority on the Port's workforce development, the FY 2014-15 proposed budget includes an upward substitution of a 1244 Senior Personnel Analyst to a 1246 Principal Personnel Analyst to administer the Port's Workforce Development Program, including the overall planning, development, implementation and evaluation of workforce development projects and employment and recruitment programs to meet the needs of the entire San Francisco Waterfront. These constitute new duties assigned to an existing position that necessitates a new job classification.
- *Finance Analytical Requirements:* The Finance Section of the Finance and Administration Division requires additional resources to manage a more voluminous and complicated workload as the Port pursues more long-term financial and capital planning, debt management and new financing tools including Infrastructure Financing Districts (IFD).

To address this need, the budget includes a new 0931 Manager IV to report directly to the Deputy Director of Finance and Administration and oversee all finance functions of the division, including capital and financial planning, debt management, budget, contracts and grants.

Additionally, the budget proposes reassigning one 1822 Administrative Analyst and one 1824 Principal Administrative Analyst from the Special Projects Section of the Executive Division. The 1822 Administrative Analyst will support the budget, grants and contracts functions of the Finance group and the 1824 Principal Administrative Analyst will be responsible for the Ports' Capital Plan and debt management. Additionally, in FY 2015-16 the 1824 Principal Administrative Analyst position is substituted up to an 1825 Principal Administrative Analyst II position to account for

the increasingly complex roles and responsibilities required of the position as the Port moves forward with implementing public financing tools for development projects.

- *Reflecting Outcomes of Job Analysis:* The budget includes four position substitutions in FY 2014-15 resulting from job analyses performed by Human Resources staff, pursuant to Civil Service rules, that determined that different job classifications are more appropriate for the positions' associated duties and responsibilities. One critical example is the substitution of the Chief Harbor Engineer from an 0941 Manager VI to an 0953 Deputy Director IV; the position's oversight of critical revenue-generating infrastructure and responsibility for ensuring the safety of Port tenants and the public warrants the higher level classification. The other substitutions that fall under this category include the upward substitutions of an 1842 Management Assistant to an 1822 Administrative Analyst, a 5174 Administrative Engineer to a 5211 Senior Engineer and a 1446 Secretary II to a 1450 Executive Secretary II.
- *Other Budgetary Clean-Up:* The budget includes substitutions of three positions to reflect the job classifications that they are filled by. Additionally, one position is adjusted from part-time to full-time to reflect the full-time nature of the position.

Other Operating Expenses

Other Current Expenses – The budget for Other Current Expenses increases by \$0.9 million (8.3%) in FY 2014-15, but is flat in FY 2015-16. One of the major elements of growth in FY 2014-15 is \$0.3 million of funding in the Finance & Administration Division for new banking credit card fees that were previously an offset to revenue, software expenses, and \$60,000 to replace the audio/visual system in the Port Commission Room. Additionally, a \$0.3 million increase for Maintenance and Janitorial Services will be utilized for portable toilet and wash station rentals, janitorial and security services disbursed through the Port's portfolio. Utilities services provided by the Public Utilities Commission are also projected to increase by \$0.1 million.

Capital Outlay, Equipment – Funding for Equipment increases by \$0.3 million (60.9%) in FY 2014-15 and an additional \$0.1 million (11.4%) in FY 2015-16. Specific requests from divisions for FY 2014-15 include replacement vehicles in the Finance & Administration Division (two sedans) and the Maintenance Division (three trucks), in accordance with the Port's Fleet Management Plan filed with the City. Additionally, the Maintenance Division requests two drivable sidewalk power washers and one Pile Shear and the Finance and Administration Division requests replacement equipment for ongoing maintenance of Information Technology infrastructure.

The FY 2015-16 proposed budget includes requests for replacement vehicles in the Finance & Administration Division (two sedans) and Maintenance Division (six trucks), in accordance with the Port's Fleet Management Plan filed with the City. Additionally, the Maintenance Division requests one chipper and the Finance and Administration

Division requests equipment for ongoing maintenance of Information Technology infrastructure.

Annual Projects – While the budget for Annual projects is relatively unchanged in FY 2014-15, expenditures increased by \$0.3 million (7.3%) in FY 2015-16 to fund new projects in the Maintenance Division for annual tree maintenance (\$0.1 million) and a one-time project to install Big-Belly trash and compost receptacles along the Waterfront (\$0.2 million). Notably, the budget in both fiscal years includes \$1.0 million for Information Systems (IS) projects that are being identified through an IS Strategic Plan.

Debt Service – Debt Service payments increase by \$0.4 million (6.1%) in FY 2014-15 and then decrease by \$0.1 million (-1.3%) as part of the payment schedule for the Port's debt portfolio, including the 2014 Port Revenue Bonds to be issued and the 2013 Certificates of Participation.

Workorder Payments – Funding for Workorder Payments decreases by \$0.4 million (-2.4%) in FY 2014-15 and increases by \$0.2 million (1.1%) in FY 2015-16.

Table 8: Summary of Interdepartmental Workorders

	Budget 2013-14	Proposed 2014-15	Change from Budget 2013-14		Proposed 2015-16	Change from Proposed 2014-15	
			Amount	Percent		Amount	Percent
MTA Meter Collections	1,223,000	1,295,500	72,500	5.9%	1,129,000	\$ (166,500)	-12.9%
MTA Traffic Enforcement	887,713	1,041,713	154,000	17.3%	1,081,713	\$ 40,000	3.8%
Police Security	628,637	522,104	(106,533)	-16.9%	527,138	\$ 5,034	1.0%
Insurance & Risk	2,348,469	2,462,341	113,872	4.8%	2,581,800	\$ 119,459	4.9%
City Attorney Services	2,859,022	1,890,000	(969,022)	-33.9%	1,950,600	\$ 60,600	3.2%
Fire Protection	3,340,843	3,406,530	65,687	2.0%	3,412,813	\$ 6,283	0.2%
Workers Compensation	850,000	900,000	50,000	5.9%	925,000	\$ 25,000	2.8%
PUC Utilities	1,217,715	1,405,865	188,150	15.5%	1,438,308	\$ 32,443	2.3%
<u>All other Departments</u>	<u>3,267,972</u>	<u>3,295,627</u>	<u>27,655</u>	<u>0.8%</u>	<u>3,357,460</u>	<u>\$ 61,833</u>	<u>1.9%</u>
Total Interdept. Workorders	16,623,371	16,219,680	(403,691)	-2.4%	16,403,832	\$ 184,152	1.1%

The notable changes include:

- In FY 2014-15 the Municipal Transportation Agency (MTA) workorder for meter collections increases by \$0.1 million (5.9%) and then declines in FY 2015-16 by \$0.2 million (-12.9%) as part of a two-year plan to replace the existing IPS meters and install new meters in the Southern Waterfront.
- Workorder payments to MTA for traffic enforcement increase by \$0.2 million (17.3%) in FY 2014-15 and remain flat in FY 2015-16. The increase will allow for additional parking enforcement shifts and reflects current trends in revenue collections from enforcement activities.
- Workorder funding to the Police Department for security services decreases by \$0.1 million (-16.9%) in FY 2014-15 and remains flat in FY 2015-16.

- Insurance & Risk costs increase by \$0.1 million (4.8%) in FY 2014-15 and increase by \$0.1 million (4.9%) in FY 2015-16 as a result of the additional coverage required after the Pier 29 fire in 2012.
- In FY 2014-15 \$1.0 million (33.9%) of City Attorney workorder funding shifts to the Development Project budget to reflect time spent by attorneys on development work. The remaining \$1.9 million budget reflects an estimate of time the City Attorney will spend on other Port matters. Overall, funding for the City Attorney workorder is \$3.3 million in each fiscal year, which is a \$0.4 million (13.8%) increase from prior year funding to reflect historical spending. Of these costs, the budget assumes that \$1.5 million will be reimbursed by developers.
- The Public Utilities Commission workorder increases by \$0.2 million (15.5%) in FY 2014-15, but remains relatively flat in FY 2015-16, as a result of utility rate increases and projected usage.

OTHER PROJECT EXPENDITURES

The budget includes funding for projects that have direct funding sources and that are intended for specific activities.

Development Project (NEW) – Based upon projected spending for FY 2014-15 and FY 2015-16, the budget includes \$4.2 million funding each fiscal year for transaction costs related to Development Projects including the Warriors Pavilion at Piers 30-32, the Forest City and Orton Development projects at Pier 70, Mission Rock at Sea Wall Lot 337 and 8 Washington. The Port has recovered and will be able to continue to recover future transaction costs from developers. In FY 2014-15 and FY 2015-16, these expenditures are fully offset by \$4.2 million of reimbursements from developers.

South Beach Harbor – Operating expenses for South Beach Harbor are \$4.4 million in FY 2014-15, a \$0.1 million (1.8%) increase, and \$4.5 million in FY 2015-16, a \$0.1 million (1.6%) increase. The budgets fund personnel, non-personnel, debt service and some capital expenses. The proposed budget may be adjusted to reflect a July 1, 2014 transfer, subject to future Port Commission, OCII and Oversight Board approval.

CAPITAL EXPENDITURES

The Proposed FY 2014-15 and FY 2015-16 Capital Budgets are each \$12.8 million, a \$1.2 million (-8.6%) decrease from FY 2013-14. Additionally, Port staff recommends reallocating \$5.2 million of existing Port Capital and 2013 Certificates of Participation funds from previously approved projects to other higher priority projects. This brings total capital fund spending to \$18.0 million in FY 2014-15.

Capital Process

Over the past several months the Capital Plan Working Group (Working Group), comprised of key Port staff from all Port divisions, reviewed and scored capital project

funding requests submitted by the Port's divisions using the scoring criteria developed for the ten-year capital plan. The proposed two year Capital Budget reflects those capital projects that scored the highest, and for which there was no or insufficient third party funding available. The proposed list of capital projects and recommended funding levels were submitted to the Port's Executive Director for adjustment and final approval before submission to the Port Commission for its review and comment.

The Working Group used the following criteria to determine which projects to recommend to the Port Commission for funding:

- (i) Addresses a safety, health, code, or regulatory issue or threat to the environment;
- (ii) Significantly reduces potential liability to the Port;
- (iii) Promotes commerce, navigation or fisheries;
- (iv) Attracts people to the waterfront;
- (v) Promotes natural and cultural resources;
- (vi) Preserves existing Port revenues; and
- (vii) Generates additional revenues for the Port.

Proposed Project Funding

As detailed in *Attachment II – Capital Project Proposed Funding for FY 2014-15 and FY 2015-16*, the proposed FY 2014-15 and FY 2015-16 Capital Budgets includes \$12.8 million each year for the following projects.⁷

Maintenance of Existing Systems:

- The Port's maintenance dredging program;
- Water and sewer utility repairs under the Port's piers;
- Pier structures and utility infrastructure repairs at Port facilities;
- Repairs, upgrades and replacement of elevators and escalator systems located in various Port facilities;
- Capital improvements needed to assist the marketing and leasing of Port facilities, including needed repairs to the restrooms at the Port's Pier 26, 28, and 50 facilities; and
- Emergency capital funding.

⁷ Short descriptions of each of the projects are on file with the Port Commission Secretary.

Maritime-Specific Infrastructure:

- Repairs to the railroad switches and track of the Port's rail system located in the Southern Waterfront;
- Upgrades and repainting the cranes at the Port's Pier 80 cargo terminal;
- Repairs to the floating dock and electrical systems at Hyde Street Harbor; and
- Repairs to and an overhaul of the floats at the Port's ferry terminals.

Preparation for New Development and Securing External Sources:

- An environmental impact report of the Port's Southern Waterfront to address potential new uses and development opportunities for the area;
- An initial phase of a comprehensive study of the condition of the Port seawalls and marginal wharfs, their capacity to withstand seismic events, and needed improvements to address sea level rise; and
- Homeland security improvements throughout the Port that will also serve as a match to federal grant funding.

Other Commitments and Requirements:

- Improvements to certain Port facilities to make them more accessible to the disabled including curb ramp improvements and Americans with Disabilities Act (ADA) repairs and upgrades to doors at various Port facilities;
- Open space and alternative energy projects that meet guidelines outlined in the Port's lease agreement with Transbay Cable; and
- Greening and beautification projects at sites located in the southern waterfront in accordance with the Southern Waterfront Community Benefits and Beautification policy adopted by the Port Commission in November, 2007.

Additionally, the proposed two-year Capital Budget includes funding for a capital project to address the capital repair needs of the Port's pier substructures and superstructures that are located within the Port's Embarcadero historic district. Proposed funding from this Capital Budget, combined with funding from the Port's upcoming issuance of Port revenue bonds, will principally be used for repairs needed for the re-leasing of the former AC34 venue sites to the America's Cup Event Authority for a 35th America's Cup and/or to other tenants.

Funding proposed for the Port's pier structures repair project will be primarily used for repairs to the seawalls at Pier 43 and Wharf J9, critical repairs to Wharves J7&8, repairs to the storm drain and outflow system at Pier 94/96, fender replacement at Pier 15/17, and funding for a second pile driving crew that has been hired to help the Port work through its current backlog of pier repair projects. A significant portion of the proposed funding for the utility project will be used for repairs to and certification of the Port's fire protection systems, along with repairs to the under pier utilities at Wharf J1.

Reallocation of Previously Approved Funding

In addition to the new capital funding proposed above, Port staff recommends reallocating \$5.23 million of previously approved appropriated funding to projects that meet current Port capital priorities, as indicated below:

Table 9: Reallocation of Previously Approved Capital Project Funding

<i>Port Capital</i>	<u>Current</u>	<u>Proposed</u>
- Port Waterfront Support Assets	\$1,845,078	\$0
- <u>Additional Funding for Pier Structures Repairs</u>	<u>0</u>	<u>1,845,078</u>
Port Capital Totals	\$1,845,078	\$1,845,078
 <i>City Certificates of Participation</i>		
- AC43 Improvements (project savings)	\$3,389,497	\$0
- Public Restroom Improvements	0	1,157,500
- Amador St. Sewer Main/Roadway Improvement	0	464,000
- <u>Pier Structures Repairs</u>	<u>0</u>	<u>1,767,997</u>
City Certificates of Participation Totals	\$3,389,497	\$3,389,497

In the FY 2005-06 and FY 2012-13 capital budgets, the Port Commission approved a total of \$2.0 million in funding for the maintenance, overhaul or replacement of the Port's vessels and other waterfront support equipment. Funds were included for the purchase of a new pile driving rig and an attachment for a vibratory pile driver extractor. It has now been determined that procurement of the new pile driving rig will not occur within the next two year period. As a result, Port staff proposes reallocating \$1.9 million of the remaining project funds to the Port's pier structures repair project. This reallocation will provide added flexibility for the Port to address other critical pier repair needs, if needed. Funds from the pier repair project, however, can be used for the purchase of the pile-driving rig should the timing change.

Additionally, as reported to the Port Commission at its September 24, 2013 meeting, the Port has \$3.4 million in savings from the \$4.0 million originally appropriated for public access improvements related to AC34. Port staff recommends reallocating the project savings to the following projects: i) Public Restrooms Improvements for the construction of public restrooms at the Pier 27 Northeast Wharf plaza, and at one site in Fisherman's Wharf; ii) Amador St. Sewer Main/Roadway Improvement project for design work for the Amador Street sewer main and roadway improvements; and (iii) the Pier Structures Repair project for repairs and improvements to the aprons at Pier 19 North and Pier 23 South in order to allow for public access.

ALIGNING STRATEGIC INITIATIVES THROUGH THE OPERATING AND CAPITAL BUDGET

The Port's 150th Anniversary allowed staff and the public to look back upon and appreciate the Port of San Francisco's past. This budget proposal reflects an effort to strategically shape the Port and the Waterfront for the future.

While the revenue projections are strong and reflect a strengthening economy, Port staff recognizes that it is imperative to control operating expenditures to ensure adequate resources can be directed to fund capital needs. As a result, this budget proposal aims to limit expenditure growth to 3 percent of FY 2012-13 actual expenditures, except for those instances where additional investments allow for operational efficiencies or address strategic needs. An example of these investments is an additional \$0.3 million for Port-wide and marketing strategic plans. Additionally, each fiscal year includes \$1.0 million placeholders for Information Services (IS) projects that are currently being assessed through an IS strategic plan. The aim of the plan and the resulting projects are to ensure that the Port's IS systems and staff sustainably support the business goals of the Port and are aligned with Citywide IS infrastructure and planning. Additionally, the budget includes new and substituted positions that are intended to protect revenue, create operational efficiencies and/or address the complex needs of the Port's finances.

Importantly, the budget also includes valuable investments in capital projects, including a new \$4.2 million development project budget that will be recovered through developer reimbursements and reflects the planned large scale developer investment. It also exceeds the Port's Designated for Capital Policy by directing greater than 20 percent of Operating Revenues to the Capital Budget in both budget years.

NEXT STEPS

Comments, input and feedback from the Port Commission and the public are welcomed and appreciated. Following Port Commission approval, staff will submit the budget to Mayor Edwin Lee's Budget Office for inclusion in the Mayor's Proposed Budget to the Board of Supervisors in May 2014. The Board of Supervisors will then review and finalize the FY 2014-15 and FY 2015-16 budgets by August 1, 2014.

Pursuant to City Policy, the Port is preparing its two-year budget for FY 2014-15 and FY 2015-16. Although the second year of the budget will be fixed upon adoption this summer, Port staff may bring a supplemental appropriation to the Port Commission, Mayor and Board of Supervisors in 2015 if there are new sources and a need to increase operating or capital spending in FY 2015-16 that staff cannot foresee at this time. Otherwise, staff will work within the approved funding resources and focus entirely on updating the Port's Five Year Financial Plan next year.

CONCLUSION

The Port's proposed FY 2014-15 and FY 2015-16 Biennial Operating and Capital Budgets reflect a \$10.5 million (10.0%) increase in the first year and a \$5.0 million (4.3%) increase in the second year. While Operating Expenditures are growing moderately, the primary growth in the budget is due to the inclusion of a new development project budget and considerable Designations to Future Capital. These items are supported by developer reimbursements and growth in Operating Revenues, particularly in Cruise, Parking and Commercial/Industrial Rents derived from opening the new James R. Herman Cruise Terminal and re-leasing AC34 venue sites.

Prepared by: Meghan Wallace, Budget Manager
Finance and Administration

and

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Finance and Administration

For: Elaine Forbes, Deputy Director
Finance and Administration

Attachments:

- I. Proposed Position Changes
- II. Capital Projects Proposed Funding
- III. Fiscal Year 2014-15 and Fiscal Year 2015-16 Budget Detail
- IV. Capital Project Requests and Funding
- V. Capital Project and Funding Details
- VI. Historical Capital Funding Relative to Operating Revenues
- VII. Port of San Francisco Office, Bulkhead Office and Pier Shed Vacancy Rate, Fiscal Year 2013-14

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-12

- WHEREAS, The Port Commission staff has developed a proposed Fiscal Year 2014-15 and Fiscal Year 2015-16 Biennial Operating and Capital Budget ("Biennial Operating and Capital Budget"); and
- WHEREAS, The proposed Biennial Operating and Capital Budget includes projected revenues of \$92,104,863 in Fiscal Year 2014-15 and \$97,001,745 in Fiscal Year 2015-16; and
- WHEREAS, The Port estimates that it will have \$12,800,000 in available funds for capital projects in Fiscal Year 2014-15 held in its Operating Fund consisting of: (1) \$12,250,000 derived from the 2013-14 fiscal year end fund balance, and (2) \$550,000 from an environmental payment from Transbay Cable LLC for Fiscal Year 2014-15; and
- WHEREAS, The Port estimates that it will have \$12,800,000 in available funds for capital projects in Fiscal Year 2015-16 held in its Operating Fund consisting of: (1) \$12,250,000 derived from the 2014-15 fiscal year end fund balance, and (2) \$550,000 from an environmental payment from Transbay Cable LLC for Fiscal Year 2014-15; and
- WHEREAS, The proposed Biennial Operating and Capital Budget includes total projected expenses of \$99,320,042 in Fiscal Year 2014-15 and \$100,156,067 in Fiscal Year 2015-16; and
- WHEREAS, Pursuant to Port policy, the proposed Biennial Operating and Capital Budget includes an unappropriated operating reserve equal to 15% of operating expenses of \$11,030,000 in Fiscal Year 2014-15 and \$11,100,000 in Fiscal Year 2015-16; and
- WHEREAS, Pursuant to Port policy, the proposed Biennial Operating and Capital Budget includes a 20% designation of operating revenues to address projects in the 10-Year Capital Plan of \$5,584,821 in Fiscal Year 2014-15 and \$9,645,678 in Fiscal Year 2015-16; and
- WHEREAS, Port staff recommends the allocation of \$12,800,000 in Port funding for Fiscal Year 2014-15 for the following capital projects:
1. Marina Repair and Upgrade Project
 2. Southern Waterfront Greening and Beautification Improvements
 3. Southern Waterfront Open Space Enhancements/Alternative Energy

4. Emergency Capital Project Fund
5. Dredge Materials Testing – Fiscal Year 2014-15 Program
6. Maintenance Dredging – Fiscal Year 2014-15 Program
7. Pre-Development Studies
8. Port ADA Transition Plan
9. Utilities Project
10. Leasing Capital Improvement Project
11. Pier Structures Repair Project, Phase II
12. Homeland Security Enhancements
13. Ferry Terminal Float Repairs
14. Underpiers Utility Project
15. Port Seawall Study and Improvements; and

WHEREAS, Port staff recommends the allocation of \$12,800,000 in Port funding for Fiscal Year 2015-16 for the following capital projects:

1. Northern Waterfront Historic Pier Structures Repair Project
2. Piers 80, 92, 96 Rail Track Maintenance and Upgrade Project
3. Southern Waterfront Greening and Beautification Improvements
4. Southern Waterfront Open Space Enhancements/Alternative Energy
5. Piers 80, 92, 96 Rail Track Maintenance and Upgrade Project
6. Container Crane Painting and Upgrade Project
7. Pier 70 Historic Core Repairs, Improvement and Building Stabilization Project
8. Emergency Capital Project Fund
9. Dredge Materials Testing – Fiscal Year 2015-16 Program
10. Maintenance Dredging – Fiscal Year 2015-16 Program
11. Utilities Project
12. Pier Structures Repair Project, Phase II
13. Homeland Security Enhancements
14. Ferry Terminal Float Repairs
15. Port Elevators/Escalator Upgrade, Repair and Replacement; and

WHEREAS, Staff has designated each of the capital projects identified above as a high priority; and

WHEREAS, Staff recommends de-appropriating \$1,845,078 of Port Capital funds and \$3,389,497 of Certificate of Participation proceeds from previously approved capital projects and re-appropriating the funds to support pier structures repairs, public restroom improvements and Amador Street sewer main and roadway improvements, each of which has been determined to be of a higher priority; and

WHEREAS, The proposed Biennial Operating and Capital Budget is described in greater detail in the staff's memorandum to the Port Commission, dated

February 21, 2014, accompanying this Resolution and on file with the Secretary of the Commission; and

- WHEREAS, Staff recommends that the Port Commission approve the proposed Biennial Operating and Capital Budget; and
- WHEREAS, The proposed Operating and Capital Budget must also be approved by Mayor Edwin Lee and the Board of Supervisors; and
- WHEREAS, The proposed capital projects must also be approved by the City's Capital Planning Committee; now therefore, be it
- RESOLVED, That the Port Commission hereby approves the Fiscal Year 2014-15 and Fiscal Year 2015-16 Biennial Operating and Capital Budget as proposed by staff; and, be it further
- RESOLVED, That staff is directed to submit the proposed Operating and Capital Budget to Mayor Edwin Lee and the Board of Supervisors for their review and approval; and, be it further
- RESOLVED, That staff is directed to submit the proposed capital projects to the City's Capital Planning Committee; and, be it further
- RESOLVED, That the Port Commission hereby authorizes the Executive Director to make such changes to the Biennial Operating and Capital Budget that the Executive Director deems to be in the Port's best interest; and, be it further
- RESOLVED, That after the Biennial Operating and Capital Budget has been approved by Mayor Lee and the Board of Supervisors, staff is directed to return to the Port Commission to report on any material changes to the Biennial Operating and Capital Budget.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 25, 2014.

Secretary

**ATTACHMENT I –
Proposed Position Changes, FY 2014-15 and FY 2015-16**

Job Class & Title	FTE	FY 2014-15	FTE	FY 2015-16
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New Positions

0932 Manager IV	NA	NA	1.00	\$157,723
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(Maintenance) This position will serve as the new Assistant Deputy Director to the Deputy Director of Maintenance, providing an additional level of managerial support to the entire division.

0931 Manager III	0.77	\$147,577	1.00	\$192,842
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(Finance & Administration) This position will oversee the Finance functions of the Finance and Administration Division, including the consolidated oversight of capital and financial planning, management of debt, contracts and grants.

9395 Property Manager	0.77	\$168,884	1.00	\$170,265
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(Real Estate) An additional property manager will help the Real Estate Division to more efficiently oversee leases of Port property and improve customer service.

7215 Laborer Supervisor	0.77	\$80,115	1.00	\$103,841
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(Maintenance) This position will serve as the second supervisor of crew to allow for new night shift and full efficiency of the crew.

1842 Management Assistant	0.50	\$58,032	0.50	\$57,875
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(Executive – Communications) Add additional funds to reflect the full time assignment and salary of the filled position. Duties include assisting the Port's Communications Director with public records requests, subpoenaed documents, marketing strategies, promotions and maintaining the department's website.

Temporary Salaries	0.50	\$53,950	0.50	\$53,960
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(Planning & Development) Additional Temporary Salaries will allow for additional management and oversight of development projects.

Temporary Salaries	0.50	\$53,950	0.50	\$53,960
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(Maritime) Additional Temporary Salaries will allow for additional management and oversight of maritime expansion.

Job Class & Title	FTE	FY 2014-15	FTE	FY 2015-16
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New Positions (Continued)

Temporary Salaries	0.88	\$80,926	0.88	\$80,941
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(Executive – Special Projects) Additional Temporary Salaries will allow for additional management and oversight of special projects such as oversight of the Port's underpier utilities repair projects.

Substitutions

0922 Manager I (Project)	-1.00	-\$168,884	-1.00	-\$170,265
<u>0922 Manager I (Operating)</u>	<u>1.00</u>	<u>\$168,884</u>	<u>1.00</u>	<u>\$170,265</u>
<i>Change</i>	0.00	\$0	0.00	\$0

(Real Estate) This position will be converted from a project-funded position to a new Asset Manager for the Real Estate Division.

1842 Management Assistant	-0.77	-\$89,376	-1.00	-\$115,747
<u>1822 Administrative Analyst</u>	<u>0.77</u>	<u>\$96,250</u>	<u>1.00</u>	<u>\$124,625</u>
<i>Change</i>	0.00	\$6,883	0.00	\$8,878

(Real Estate) This position classification reflects new responsibilities for revenue analysis that the position has been performing during recent fiscal years, including forecasting and managing revenue generation from the Port's meter program. The reclassification complies with Civil Service rules.

5174 Admin. Engineer	-0.77	-\$152,204	-1.00	-\$196,790
<u>5211 Senior Engineer</u>	<u>0.77</u>	<u>\$162,646</u>	<u>1.00</u>	<u>\$210,247</u>
<i>Change</i>	0.00	\$10,442	0.00	\$13,457

(Engineering) This position classification reflects the many duties and tasks that are required of the position and that are greater than those of an Administrative Engineer. Such skills include directing, supervising and coordinating design reviews & construction of complex engineering/architectural/landscape architecture projects; planning, organizing and directing the administration and management of contracts; and directing, supervising and reviewing the preparation of complex construction contracts & construction documents. This reclassification complies with Civil Service rules.

Job Class & Title	FTE	FY 2014-15	FTE	FY 2015-16
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Substitutions (Continued)

5201 Jr. Engineer	-1.00	-\$97,999	-1.00	-\$126,941
<u>5203 Assistant Engineer</u>	<u>1.00</u>	<u>\$109,425</u>	<u>1.00</u>	<u>\$141,674</u>
<i>Change</i>	<u>0.00</u>	<u>\$11,426</u>	<u>0.00</u>	<u>\$14,733</u>

(Engineering) Reflects salary progression that is negotiated in the Memorandum of Understanding (MOU) for this classification. The incumbent has performed successfully and progressed through the compensation steps of the 5201 position and is entitled to the compensation steps of the 5203 position.

0941 Manager VI	-0.77	-\$178,538	-1.00	-\$232,743
<u>0953 Deputy Director IV</u>	<u>0.77</u>	<u>\$200,470</u>	<u>1.00</u>	<u>\$261,010</u>
<i>Change</i>	<u>0.00</u>	<u>\$21,932</u>	<u>0.00</u>	<u>\$28,267</u>

(Engineering) Upgrade to meet skill requirement of a Chief Harbor Engineer. The duties of the Chief Harbor Engineer are at the level of a Deputy Director IV. The position is currently under recruitment.

1446 Secretary II	-0.77	-\$77,090	-1.00	-\$99,914
<u>1450 Executive Secretary II</u>	<u>0.77</u>	<u>\$83,068</u>	<u>1.00</u>	<u>\$107,624</u>
<i>Change</i>	<u>0.00</u>	<u>\$5,978</u>	<u>0.00</u>	<u>\$7,710</u>

(Planning & Development) This position classification reflects increased and more complex workload. This reclassification is consistent with Civil Service rules.

1450 Executive Secretary II	-1.00	-\$107,881	-1.00	-\$107,624
<u>5277 Planner I</u>	<u>1.00</u>	<u>\$107,535</u>	<u>1.00</u>	<u>\$107,342</u>
<i>Change</i>	<u>0.00</u>	<u>-\$346</u>	<u>0.00</u>	<u>-\$282</u>

(Planning & Development) This position classification reflects the actual duties of this position. This reclassification is consistent with Civil Service rules.

1244 Sr. Personnel Analyst	-0.77	-\$114,876	-1.00	-\$148,636
<u>1246 Princ. Personnel Analyst</u>	<u>0.77</u>	<u>\$133,754</u>	<u>1.00</u>	<u>\$172,942</u>
<i>Change</i>	<u>0.00</u>	<u>\$18,878</u>	<u>0.00</u>	<u>\$24,306</u>

(Finance & Administration) This position classification reflects increased duties and responsibilities related to administering the Port's Workforce Development program, including the overall planning, development, implementation and evaluation of workforce development projects and employment and recruitment programs to meet the needs of the entire San Francisco Waterfront. The reclassification complies with Civil Service rules.

Job Class & Title	FTE	FY 2014-15	FTE	FY 2015-16
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Substitutions (Continued)

1824 Princ. Admin. Analyst	NA	NA	-1.00	-\$163,403
<u>1825 Princ. Admin. Analyst II</u>	<u>NA</u>	<u>NA</u>	<u>1.00</u>	<u>\$176,992</u>
<i>Change</i>	NA	NA	0.00	\$13,589

(Finance & Administration) This position classification reflects increased complexity of work assignments for the Port's Capital Plan, debt management, and administration of IFD and other public financing tools.

0931 Manager III	-1.00	-\$191,658	-1.00	-\$192,842
<u>0922 Manager I</u>	<u>1.00</u>	<u>\$168,884</u>	<u>1.00</u>	<u>\$170,265</u>
<i>Change</i>	0.00	-\$22,774	0.00	-\$22,577

(Maintenance) Downgrade and reassignment of supervision to reflect reduced duties and responsibilities as a result of adding a new Assistant Deputy Director (0932) position to the division's organizational structure. This reclassification is consistent with Civil Service rules.

1426 Sr. Clerk Typist	-1.00	-\$92,004	-1.00	-\$91,859
<u>1406 Sr. Clerk</u>	<u>1.00</u>	<u>\$84,825</u>	<u>1.00</u>	<u>\$84,730</u>
<i>Change</i>	0.00	-\$7,179	0.00	-\$7,129

(Maintenance) This position substitution reflects actual duties of this position. This reclassification is consistent with Civil Service rules.

3417 Gardener	-1.00	-\$98,074	-1.00	-\$97,912
<u>7514 General Laborer</u>	<u>1.00</u>	<u>\$95,210</u>	<u>1.00</u>	<u>\$95,068</u>
<i>Change</i>	0.00	-\$2,864	0.00	-\$2,844

(Maintenance) This position substitution changes the job classification of the (vacant) position to diversify skills and responsibilities of the three-staff gardening crew.

1024 IS Admin. Supervisor	-0.77	-\$122,917	-1.00	-\$159,070
<u>5502 Project Manager I</u>	<u>0.77</u>	<u>\$133,237</u>	<u>1.00</u>	<u>\$172,343</u>
<i>Change</i>	0.00	\$10,320	0.00	\$13,273

**ATTACHMENT II –
Capital Projects Proposed Funding,
FY 2014-15 and FY 2015-16**

	<u>Proposed Funding FY 2014-15</u>	<u>Proposed Funding FY 2015-16</u>	<u>Proposed Two Year Funding Total</u>
Port Capital Funding (5P-AAA-ACP)			
Northeast Waterfront:			
Marina Repair and Upgrade Project	350,000	0	350,000
N. Waterfront Historic Pier Structures Repair Project	0	900,000	900,000
Southern Waterfront:			
Pier 80, 92, 96 Rail Track Maintenance and Upgrade Project – Additional Funding	0	430,000	430,000
Southern Waterfront Greening/Beautification Improvements – Additional Funding	150,000	314,200	464,200
Southern Waterfront Open Space Enhancements/Alternative Energy – Additional Funding	550,000	550,000	1,100,000
Container Crane Painting and Upgrade Project	0	300,000	300,000
Pier 70 Historic Core Repairs, Improvement & Building Stabilization Project – Additional Funding	0	400,000	400,000
Portwide Projects:			
Emergency Capital Project Fund – Additional Funding	84,000	89,000	173,000
Dredge Materials Testing FYs 2014-15 & 2015-16 Program	500,000	500,000	1,000,000
Maintenance Dredging FYs 2014-15 & 2015-16 Program	3,681,000	4,864,000	8,545,000
Pre-Development Studies – Additional Funding	525,000	0	525,000
Port ADA Transition Plan – Additional Funding	100,000	0	100,000
Utilities Project – Additional Funding	910,000	100,000	1,010,000
Leasing Capital Improvement Project – Additional Funding	200,000	0	200,000
Pier Structures Repair Project, Phase II – Additional Funding	4,450,000	2,627,800	7,077,800
Homeland Security Enhancements – Additional Funding	250,000	250,000	500,000
Ferry Terminal Float Repairs - Additional Funding	300,000	615,000	915,000
Port Elevator/Escalator Upgrade Repair & Replacement Proj	0	610,000	610,000
Underpier Utility Repairs	250,000	250,000	500,000
Port Seawall Study & Improvements	500,000	0	500,000
Total Proposed Project Funding	\$12,800,000	\$12,800,000	\$25,600,000

ATTACHMENT II (Continued)

**Capital Projects
Proposed Reallocations in FY 2014-15 of
Previously Approved Capital Funding**

	<u>Currently Approved</u>	<u>Proposed Funding</u>
Port Capital Funding (5P-AAA-ACP)		
Port Waterfront Support Assets	\$1,845,078	\$0
Pier Structures Repairs - Additional Funding	0	1,845,078
Port Capital Totals	\$1,845,078	\$1,845,078
City Certificates of Participation Funding (5P-CPF-12A)		
AC34 Improvements	\$3,389,497	\$0
Public Restroom Improvements	0	1,157,500
Amador Street Forced Sewer Main and Roadway Improvements	0	464,000
Pier Structures Repair Project	0	1,767,697
City Certificates of Participation Totals	\$3,389,497	\$3,389,497
Proposed Capital Project Reallocations From All Sources	\$5,234,575	\$5,234,575

**PORT OF SAN FRANCISCO
REVENUE AND EXPENSE SUMMARY
FISCAL YEAR 2014-15 & 2015-16 BUDGET**

	Budget 2012-13	Actual 2012-13	Budget 2013-14	Proposed 2014-15	Change from Approved 2013-14		Proposed 2015-16	Change from Proposed 2014-15	
					Amount	%		Amount	%
Sources									
Estimated Fund Balance	\$19,525,884	\$19,525,884	\$23,663,134	\$ 23,280,000	\$ (383,134)	-1.6%	\$ 23,350,000	\$ 70,000	0.3%
Operating Revenue	74,646,369	80,034,680	76,833,755	83,458,300	6,624,545	8.6%	88,275,300	4,817,000	5.8%
Development Recoveries (New)	-	-	-	4,220,000	4,220,000	0.0%	4,227,245	7,245	0.2%
South Beach Harbor & Marina	4,283,715	4,283,715	4,346,475	4,426,563	80,088	1.8%	4,499,200	72,637	1.6%
Transbay Enviro. Payment	550,000	550,000	550,000	550,000	-	0.0%	550,000	-	0.0%
Other Project Revenue, Subtotal	4,833,715	4,833,715	4,896,475	9,196,563	4,300,088	87.8%	9,276,445	79,882	0.9%
Total Sources	\$ 99,005,968	\$ 104,394,279	\$ 105,393,364	\$ 115,934,863	\$ 10,541,499	10.0%	\$ 120,901,745	\$ 4,966,882	4.3%
Uses									
Operating Expenses	\$ 68,285,825	\$ 66,040,486	\$ 70,272,515	\$ 73,564,673	\$ 3,292,158	4.7%	\$ 74,006,900	\$ 442,227	0.6%
Annual Projects	5,820,585	4,530,739	4,270,466	4,308,806	38,340	0.9%	4,622,722	313,916	7.3%
Operating Budget, Subtotal	74,106,410	70,571,225	74,542,981	77,873,479	3,330,498	4.5%	78,629,622	756,143	1.0%
Development Projects (New)	-	-	-	4,220,000	4,220,000	0.0%	4,227,245	7,245	0.2%
South Beach Harbor & Marina	4,283,715	4,283,715	4,346,475	4,426,563	80,088	1.8%	4,499,200	72,637	1.6%
Other Projects, Subtotal	4,283,715	4,283,715	4,346,475	8,646,563	4,300,088	98.9%	8,726,445	79,882	0.9%
Capital Project Appropriations	10,242,542	10,242,542	14,000,000	12,800,000	(1,200,000)	-8.6%	12,800,000	-	0.0%
Defunded Projects	-	-	-	(5,234,575)	(5,234,575)	0.0%	-	5,234,575	0.0%
Reallocation to New Projects	-	-	-	5,234,575	5,234,575	0.0%	-	(5,234,575)	0.0%
Capital Budget, Subtotal	10,242,542	10,242,542	14,000,000	12,800,000	(1,200,000)	-8.6%	12,800,000	-	0.0%
Total Expenses	88,632,667	85,097,492	92,889,456	99,320,042	6,430,586	6.9%	100,156,067	836,025	0.8%
Designation to Future Capital	-	-	1,952,418	5,584,821	3,632,403	186.0%	9,645,678	4,060,857	72.7%
15% Operating Expense Reserve	10,373,301	10,373,301	10,551,490	11,030,000	478,510	4.5%	11,100,000	70,000	0.6%
Reserves, Subtotal	10,373,301	10,373,301	12,503,908	16,614,821	4,110,913	32.9%	20,745,678	4,130,857	24.9%
Total Uses	\$ 99,005,968	\$ 95,470,793	\$ 105,393,364	\$ 115,934,863	\$ 10,541,499	10.0%	\$ 120,901,745	\$ 4,966,882	4.3%
Capital Investment/Designation % of Operating Revenues	\$ 10,242,542 14%	\$ 10,242,542 13%	\$ 15,952,418 21%	\$ 18,384,821 21%	\$ 2,432,403 15.2%		\$ 22,445,678 24%	\$ 4,060,857 22.1%	
Difference Sources/Uses	\$ -	\$ 8,923,486	\$ -	\$ -	\$ -		\$ -	\$ -	

**OPERATING REVENUE BY INDUSTRY
FISCAL YEARS 2014-15 & 2015-16**

MARITIME	Budget	Actual	Budget	Proposed	Change from		Proposed	Change from	
	2012-13	2012-13	2013-14	2014-15	2013-14 Budget			2014-15 Budget	
					Amount	Percent		2015-16	Amount
Cargo									
Dockage	\$ 629,200	\$ 591,175	\$ 552,374	\$ 354,000	\$ (198,374)	-35.9%	\$ 374,000	\$ 20,000	5.6%
Wharfage	585,820	547,163	609,190	609,000	(190)	0.0%	670,000	61,000	10.0%
Crane Rental	10,000	3,828	10,000	3,000	(7,000)	-70.0%	3,000	-	0.0%
Rent	3,620,000	3,826,095	3,704,000	3,656,000	(48,000)	-1.3%	3,723,000	67,000	1.8%
Miscellaneous	-	6,460	-	458,000	458,000	0.0%	458,000	-	0.0%
Subtotal	\$ 4,845,020	\$ 4,974,721	\$ 4,875,564	\$ 5,080,000	\$ 204,436	4.2%	\$ 5,228,000	\$ 148,000	2.9%
Ship Repair									
Dockage	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Pier 70 - Surcharge	534,154	-	693,167	338,000	(355,167)	-51.2%	177,000	(161,000)	-47.6%
Pier 70 - Rebate	-	-	-	-	-	0.0%	-	-	0.0%
Rent	1,000,000	1,897,552	1,200,000	1,568,000	368,000	30.7%	1,370,000	(198,000)	-12.6%
Subtotal	\$ 1,534,154	\$ 1,897,552	\$ 1,893,167	\$ 1,906,000	\$ 12,833	0.7%	\$ 1,547,000	\$ (359,000)	-18.8%
Harbor Services									
Dockage	\$ 15,150	\$ 13,750	\$ 15,300	\$ 15,000	\$ (300)	-2.0%	\$ 15,000	\$ -	0.0%
Non-Cargo Wharfage	-	-	-	-	-	0.0%	-	-	0.0%
Rent	1,929,600	1,978,016	1,977,000	2,046,000	69,000	3.5%	2,087,000	41,000	2.0%
Subtotal	\$ 1,944,750	\$ 1,991,766	\$ 1,992,300	\$ 2,061,000	\$ 68,700	3.4%	\$ 2,102,000	\$ 41,000	2.0%
Cruise									
Dockage	\$ 81,000	\$ 493,001	\$ 90,000	\$ 105,000	\$ 15,000	16.7%	\$ 116,000	\$ 11,000	10.5%
Passenger Wharfage	2,410,800	2,412,946	2,892,000	4,160,000	1,268,000	43.8%	4,818,000	658,000	15.8%
Rent	180,000	190,403	180,000	180,000	-	0.0%	180,000	-	0.0%
Special Events	-	-	-	304,000	304,000	0.0%	556,000	252,000	82.9%
Parking Rent	-	-	-	301,000	301,000	0.0%	601,000	300,000	99.7%
Subtotal	\$ 2,671,800	\$ 3,096,350	\$ 3,162,000	\$ 5,050,000	\$ 1,888,000	59.7%	\$ 6,271,000	\$ 1,221,000	24.2%
Fishing				\$ -					
Dockage	\$ 280,000	\$ 277,543	\$ 280,000	\$ 286,000	\$ 6,000	2.1%	\$ 292,000	\$ 6,000	2.1%
Fish Wharfage	50,000	69,049	50,000	76,000	26,000	52.0%	77,000	1,000	1.3%
Rent	1,738,900	1,669,875	1,780,000	1,875,000	95,000	5.3%	1,912,000	37,000	2.0%
Subtotal	\$ 2,068,900	\$ 2,016,467	\$ 2,110,000	\$ 2,237,000	\$ 127,000	6.0%	\$ 2,281,000	\$ 44,000	2.0%

**OPERATING REVENUE BY INDUSTRY
FISCAL YEARS 2014-15 & 2015-16**

	Budget 2012-13	Actual 2012-13	Budget 2013-14	Proposed 2014-15	Change from 2013-14 Budget		Proposed 2015-16	Change from 2014-15 Budget	
					Amount	Percent		Amount	Percent
Other Marine									
Dockage	\$ 620,000	\$ 633,749	\$ 620,000	\$ 672,000	\$ 52,000	8.4%	\$ 686,000	\$ 14,000	2.1%
Non-Cargo Wharfage	-	-	-	-	-	0.0%	-	-	0.0%
Rent	816,800	835,002	837,000	883,000	46,000	5.5%	901,000	18,000	2.0%
<u>Landing Fees</u>	<u>140,000</u>	<u>129,645</u>	<u>150,000</u>	<u>140,000</u>	<u>(10,000)</u>	<u>-6.7%</u>	<u>144,000</u>	<u>4,000</u>	<u>2.9%</u>
Subtotal	\$ 1,576,800	\$ 1,598,396	\$ 1,607,000	\$ 1,695,000	\$ 88,000	5.5%	\$ 1,731,000	\$ 36,000	2.1%
Total Maritime	\$ 14,641,424	\$ 15,575,252	\$ 15,640,031	\$ 18,029,000	\$ 2,388,969	15.3%	\$ 19,160,000	\$ 1,131,000	6.3%
REAL ESTATE									
Commercial/Industrial									
Rent	24,297,000	24,193,932	25,621,365	25,983,000	\$ 361,635	1.4%	28,183,000	\$ 2,200,000	8.5%
Rent from Percentage Leases	16,331,000	17,111,777	16,382,000	17,745,000	1,363,000	8.3%	18,045,000	300,000	1.7%
<u>Payment in lieu of Rent</u>	<u>2,228,000</u>	<u>1,309,716</u>	<u>824,359</u>	<u>-</u>	<u>(824,359)</u>	<u>-100.0%</u>	<u>-</u>	<u>-</u>	<u>0.0%</u>
Subtotal	42,856,000	42,615,425	42,827,724	43,728,000	\$ 900,276	2.1%	46,228,000	\$ 2,500,000	5.7%
Parking									
Meters	3,722,000	4,295,895	4,031,641	4,964,000	\$ 932,359	23.1%	5,213,000	\$ 249,000	5.0%
Stalls	411,000	503,185	487,000	445,000	(42,000)	-8.6%	454,000	9,000	2.0%
Rent	8,710,000	10,235,530	9,609,000	11,627,000	2,018,000	21.0%	12,489,000	862,000	7.4%
<u>Fines</u>	<u>2,060,000</u>	<u>2,747,250</u>	<u>2,261,000</u>	<u>3,012,000</u>	<u>751,000</u>	<u>33.2%</u>	<u>3,073,000</u>	<u>61,000</u>	<u>2.0%</u>
Subtotal	14,903,000	17,781,860	16,388,641	20,048,000	\$ 3,659,359	22.3%	21,229,000	\$ 1,181,000	5.9%
Total Real Estate	\$ 57,759,000	\$ 60,397,285	\$ 59,216,365	\$ 63,776,000	\$ 4,559,635	7.7%	\$ 67,457,000	\$ 3,681,000	5.6%
ALL OTHER									
Filming	\$ -	\$ 2,006	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Special Events (RE)	\$ 188,000	\$ 49,528	\$ 47,000	\$ 51,000	\$ 4,000	8.5%	\$ 52,000	\$ 1,000	2.0%
Encroachment Permits	\$ -	\$ 80,733	\$ -	\$ 83,000	\$ 83,000	0.0%	\$ 85,000	\$ 2,000	2.4%
Miscellaneous Services (RE)	\$ 164,000	\$ 257,889	\$ 64,752	\$ 134,000	\$ 69,248	106.9%	\$ 136,000	\$ 2,000	1.5%
Facility Damage	\$ 6,000	\$ -	\$ 6,000	\$ 6,000	\$ -	0.0%	\$ 6,000	\$ -	0.0%

**OPERATING REVENUE BY INDUSTRY
FISCAL YEARS 2014-15 & 2015-16**

	Budget 2012-13	Actual 2012-13	Budget 2013-14	Proposed 2014-15	Change from 2013-14 Budget		Proposed 2015-16	Change from 2014-15 Budget	
					Amount	Percent		Amount	Percent
Tenant Services	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Miscellaneous Repairs (Maint)	\$ 30,000	\$ 1,773	\$ 30,000	\$ 30,000	\$ -	0.0%	\$ 30,000	\$ -	0.0%
Permits	\$ 500,000	\$ 784,473	\$ 500,000	\$ 700,000	\$ 200,000	40.0%	\$ 700,000	\$ -	0.0%
Miscellaneous	\$ -	\$ 29,569	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Interest on Investments	\$ 812,500	\$ 381,284	\$ 812,500	\$ 600,000	\$ (212,500)	-26.2%	\$ 600,000	\$ -	0.0%
Penalties & Svc. Charges	\$ 19,300	\$ 41,337	\$ 19,300	\$ 19,300	\$ -	0.0%	\$ 19,300	\$ -	0.0%
Miscellaneous Receipts (F&A)	\$ 196,145	\$ 434,054	\$ 167,807	\$ -	\$ (167,807)	-100.0%	\$ -	\$ -	0.0%
Miscellaneous-Planning	\$ -	\$ 30,000	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Developer Fees/ Recoveries	\$ 300,000	\$ 1,641,881	\$ 300,000	\$ -	\$ (300,000)	-100.0%	\$ -	\$ -	0.0%
Miscellaneous-Executive	\$ 30,000	\$ 219,113	\$ 30,000	\$ 30,000	\$ -	0.0%	\$ 30,000	\$ -	0.0%
Other Adjustments	\$ -	\$ 108,503	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Total All Other	\$ 2,245,945	\$ 4,062,143	\$ 1,977,359	\$ 1,653,300	\$ (324,059)	-16.4%	\$ 1,658,300	\$ 5,000	0.3%
TOTAL PORT	\$ 74,646,369	\$ 80,034,680	\$ 76,833,755	\$ 83,458,300	\$ 6,624,545	8.6%	\$ 88,275,300	\$ 4,817,000	5.8%

**DIVISION EXPENSE SUMMARY
FISCAL YEARS 2014-15 & 2015-16**

	Budget <u>2012-13</u>	Budget <u>2013-14</u>	Proposed <u>2014-15</u>	From Prior Year Increase / Decrease		Proposed <u>2015-16</u>	From Prior Year Increase / Decrease	
				<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
Real Estate	\$ 11,091,166	\$ 11,314,223	\$ 12,077,493	\$ 763,270	6.7%	\$ 12,176,235	\$ 98,742	0.8%
Planning & Development	\$ 4,719,865	\$ 3,814,394	\$ 8,017,629	\$ 4,203,235	110.2%	\$ 8,186,456	\$ 168,827	2.1%
Maritime	\$ 8,123,541	\$ 8,223,627	\$ 8,034,445	\$ (189,182)	-2.3%	\$ 8,191,140	\$ 156,695	2.0%
Finance and Administration	\$ 25,897,372	\$ 25,109,224	\$ 27,741,057	\$ 2,631,833	10.5%	\$ 27,655,455	\$ (85,602)	-0.3%
Maintenance	\$ 17,269,540	\$ 17,857,133	\$ 18,529,749	\$ 672,616	3.8%	\$ 18,941,567	\$ 411,818	2.2%
Executive	\$ 6,294,384	\$ 6,549,745	\$ 5,962,224	\$ (587,521)	-9.0%	\$ 5,776,957	\$ (185,267)	-3.1%
Engineering	\$ 4,994,256	\$ 5,172,446	\$ 5,323,286	\$ 150,840	2.9%	\$ 5,317,764	\$ (5,522)	-0.1%
<u>Subtotal Division Budgets</u>	<u>\$ 78,390,125</u>	<u>\$ 78,040,792</u>	<u>\$ 85,685,883</u>	<u>\$ 7,645,092</u>	<u>9.8%</u>	<u>\$ 86,245,574</u>	<u>\$ 559,691</u>	<u>0.7%</u>
Position Requests	\$ -	\$ -	\$ 834,159	\$ 834,159	0.0%	\$ 1,110,491	\$ 276,332	33.1%
<u>Grand Total</u>	<u>\$ 78,390,125</u>	<u>\$ 78,040,792</u>	<u>\$ 86,520,042</u>	<u>\$ 8,479,250</u>	<u>10.9%</u>	<u>\$ 87,356,065</u>	<u>\$ 836,023</u>	<u>1.0%</u>

**PORT EXPENDITURE SCHEDULE
FISCAL YEARS 2014-15 & 2015-16**

Char	Obj	Subobj	Budget	Actual	Budget	Proposed	Change from		Proposed	Change from	
			2012-13	2012-13	2013-14	2014-15	Amount	Percent	2015-16	Amount	Percent
Salaries											
001	001	00101	Permanent Salaries	\$21,001,861	\$21,543,646	\$21,575,924	\$21,848,937	\$273,013	1.3%	\$21,932,627	\$83,690 0.4%
001	005	00501	Temp. Salaries	515,560	515,560	515,560	515,560	0	0.0%	515,560	0 0.0%
001	009	00901	Premium Pay	225,003	225,003	225,003	225,003	0	0.0%	225,003	0 0.0%
001	011	01101	Overtime	292,942	292,942	292,942	292,942	0	0.0%	292,942	0 0.0%
			Subtotal Salaries	<u>22,035,366</u>	<u>22,577,151</u>	<u>22,609,429</u>	<u>22,882,442</u>	<u>273,013</u>	<u>1.2%</u>	<u>22,966,132</u>	<u>83,690 0.4%</u>
013	013	01300	Fringe Benefits	<u>10,521,115</u>	<u>11,617,978</u>	<u>11,219,135</u>	<u>12,112,195</u>	<u>893,060</u>	<u>8.0%</u>	<u>11,980,451</u>	<u>(131,744) -1.1%</u>
			New Positions	0	0	0	834,159	834,159	0.0%	1,110,491	276,332 33.1%
			Subtotal Salaries & Fringe	<u>32,556,481</u>	<u>34,195,129</u>	<u>33,828,564</u>	<u>35,828,796</u>	<u>2,000,232</u>	<u>5.9%</u>	<u>36,057,074</u>	<u>228,278 0.6%</u>
020	020	02000	Indirect Cost Reimbursement	0	0	315,652	315,652	0	0.0%	315,652	0 0.0%
Other Current Expenses											
021	021	02100	Travel - Budget	68,050	70,055	70,055	77,250	7,195	10.3%	79,350	2,100 2.7%
021	022	02200	Training - Budget	65,000	65,000	65,000	90,100	25,100	38.6%	92,400	2,300 2.6%
021	023	02300	Employee Field Expenses	3,000	3,000	3,000	8,000	5,000	166.7%	8,000	0 0.0%
021	024	02400	Membership Fees	73,221	75,337	75,337	81,059	5,723	7.6%	83,703	2,644 3.3%
021	025	02500	Promotional & Entertain. - Budget	250,659	232,109	232,109	240,700	8,591	3.7%	240,700	0 0.0%
021	027	02700	Prof. & Specialized Svcs - Budget	3,585,146	2,528,144	2,528,144	2,621,087	92,943	3.7%	2,476,910	(144,177) -5.5%
021	028	02800	Maint Svcs - Bldg & Structures - Budget	1,410,983	1,479,561	1,479,561	1,762,000	282,439	19.1%	1,871,000	109,000 8.2%
021	029	02900	Maint Svcs - Equipment - Budget	278,273	287,995	287,995	289,630	1,635	0.6%	326,051	36,421 12.6%
021	030	03000	Rents & Leases - Bldgs & Struct - Budget	2,896,309	2,923,825	2,923,825	2,946,000	22,175	0.8%	2,966,400	20,400 0.7%
021	031	03100	Rents & Leases - Equipment - Budget	115,410	112,812	112,812	160,130	47,318	41.9%	164,700	4,570 2.9%
021	032	03200	Utilities Expenses - Budget	879,550	932,770	932,770	1,037,000	104,230	11.2%	1,167,350	130,350 12.6%
021	035	03500	Other Current Expenses - Budget	1,330,386	1,345,977	1,345,977	1,644,745	298,768	22.2%	1,504,618	(140,127) -8.5%
021	052	05200	Taxes, Licenses & Permits - Budget	109,580	114,680	114,680	100,000	(14,680)	-12.8%	103,400	3,400 3.4%
021	053	05300	Judgment, Claims & Litigation - Budget	500,000	500,000	500,000	500,000	0	0.0%	500,000	0 0.0%
			Subtotal, Other Current Expenses	<u>11,565,467</u>	<u>10,671,265</u>	<u>10,671,265</u>	<u>11,557,701</u>	<u>886,436</u>	<u>8.3%</u>	<u>11,584,582</u>	<u>26,881 0.2%</u>
040	040	04000	Materials & Supplies - Budget	<u>1,402,166</u>	<u>1,439,598</u>	<u>1,439,598</u>	<u>1,522,660</u>	<u>83,062</u>	<u>5.8%</u>	<u>1,536,362</u>	<u>13,702 0.9%</u>
060	060	06000	Equipment Purchase - Budget	<u>572,685</u>	<u>477,421</u>	<u>477,421</u>	<u>768,184</u>	<u>290,763</u>	<u>60.9%</u>	<u>855,856</u>	<u>87,673 11.4%</u>

**PORT EXPENDITURE SCHEDULE
FISCAL YEARS 2014-15 & 2015-16**

			Budget	Actual	Budget	Proposed	Change from		Proposed	Change from		
Char	Obj	Subobj	2012-13	2012-13	2013-14	2014-15	Amount	Percent	2015-16	2014-15	Proposed	
06F	06F	06F00	Facilities Maintenance - Budget	10,104,300	8,648,641	8,616,941	12,955,369	4,338,428	50.3%	13,349,167	393,798	3.0%
070	070	0700	Debt Service - Budget	5,995,560	6,289,872	7,089,872	7,525,228	435,356	6.1%	7,424,036	(101,192)	-1.3%
Services of Other Departments												
081	081	081AC	Airport Commission	28,000	29,400	29,400	55,000	25,600	87.1%	57,000	2,000	3.6%
081	081	081BO	Board of Supervisors	2,754	2,754	2,754	2,754	0	0.0%	2,754	0	0.0%
081	081	081BI	Department of Building Inspection	20,000	20,000	20,000	20,000	0	0.0%	20,000	0	0.0%
081	081	081C3	Controller - Financial Systems	0	0	20,200	20,200	0	0.0%	20,200	0	0.0%
081	081	081C4	Controller - Internal Audit	156,950	161,057	164,422	137,676	(26,746)	-16.3%	137,676	0	0.0%
081	081	081C5	ISD - Maintenance & Operations	42,905	42,905	42,918	94,200	51,282	119.5%	104,800	10,600	11.3%
081	081	081CA	ADM - General	49,737	58,737	58,737	58,737	0	0.0%	58,737	0	0.0%
081	081	081CB	ADM - Insurance & Risk	2,145,204	2,145,204	2,348,469	2,462,341	113,872	4.8%	2,581,800	119,459	4.9%
081	081	081CI	ISD - Service Infrastructure	420,098	412,424	500,791	441,100	(59,691)	-11.9%	452,100	11,000	2.5%
081	081	081CP	City Planning	112,000	82,000	82,000	107,000	25,000	30.5%	107,000	0	0.0%
081	081	081CT	City Attorney - Legal Svcs.	2,859,022	2,859,022	2,859,022	1,890,000	(969,022)	-33.9%	1,950,600	60,600	3.2%
081	081	081CW	SFGTV	53,741	53,741	52,909	36,500	(16,409)	-31.0%	37,400	900	2.5%
081	081	081ED	Business & Economic Devel. - Mayor's	125,000	125,000	125,000	125,000	0	0.0%	125,000	0	0.0%
081	081	081ER	DEM - Emergency Communications	0	0	0	0	0	0.0%	0	0	0.0%
081	081	081ET	TIS - Telephone	270,077	270,242	243,460	273,300	29,840	12.3%	280,100	6,800	2.5%
081	081	081EV	Environment	18,529	18,529	18,529	18,529	0	0.0%	18,529	0	0.0%
081	081	081FD	Fire	3,349,084	3,382,367	3,340,843	3,406,530	65,687	2.0%	3,412,813	6,283	0.2%
081	081	081GE	General City Responsibility	0	0	0	0	0	0.0%	0	0	0.0%
081	081	081HO	HR-Equal Opportunity	6,377	6,377	6,377	6,377	0	0.0%	6,377	0	0.0%
081	081	081H2	HR - Management Training	11,188	11,188	11,188	11,188	0	0.0%	11,188	0	0.0%
081	081	081H3	HR - Workers Comp.	945,000	990,000	850,000	900,000	50,000	5.9%	925,000	25,000	2.8%
081	081	081H4	HR Client SRVcs/Recruit/Assess	17,899	17,899	17,899	17,899	0	0.0%	17,899	0	0.0%
081	081	081H7	HR - Labor Negotiations	25,603	25,603	25,603	25,603	0	0.0%	25,603	0	0.0%
081	081	081H8	HR - Drug Testing	7,032	7,032	7,032	7,032	0	0.0%	7,032	0	0.0%
081	081	081H9	Human Rights Commission	225,526	235,238	235,238	197,359	(37,879)	-16.1%	197,359	0	0.0%
081	081	081HE	SFGH - Medical Services	59,885	62,669	62,669	62,669	0	0.0%	62,669	0	0.0%
081	081	081HH	DPH - Mental Health	0	0	0	0	0	0.0%	0	0	0.0%
081	081	081HR	HR-HSS Tuition Reimbursement	9,177	9,177	9,177	9,177	0	0.0%	9,177	0	0.0%
081	081	081HY	HR-MGMT Comp & Classification	0	0	0	0	0	0.0%	0	0	0.0%
081	081	081HZ	HR - HR Management System	89,298	90,971	88,068	98,069	9,983	11.3%	98,069	0	0.0%
081	081	081M2	Mayor's Youth Works	9,072	9,072	9,072	9,072	0	0.0%	9,072	0	0.0%

**PORT EXPENDITURE SCHEDULE
FISCAL YEARS 2014-15 & 2015-16**

Char	Obj	Subobj	Budget	Actual	Budget	Proposed	Change from		Proposed	Change from		
			2012-13	2012-13	2013-14	2014-15	Amount	Percent	2015-16	Amount	Percent	
081	081	081MY		14,532	14,532	14,532	0	0.0%	14,532	0	0.0%	
081	081	081PA		420,398	420,398	461,450	475,196	13,746	3.0%	489,387	14,191	3.0%
081	081	081PF		120,000	120,000	169,918	173,658	3,740	2.2%	179,000	5,342	3.1%
081	081	081PG		59,990	59,990	59,990	59,990	0	0.0%	59,990	0	0.0%
081	081	081PK		1,247,000	1,223,000	1,223,000	1,295,500	72,500	5.9%	1,129,000	(166,500)	-12.9%
081	081	081PL		22,599	22,599	22,599	22,599	0	0.0%	22,599	0	0.0%
081	081	081PM		3,598	3,598	3,598	3,598	0	0.0%	3,598	0	0.0%
081	081	081PR		28,002	28,002	28,002	28,002	0	0.0%	28,002	0	0.0%
081	081	081PS		621,550	628,637	628,637	522,104	(106,533)	-16.9%	527,138	5,034	1.0%
081	081	081RE		57,000	57,000	57,000	62,000	5,000	8.8%	63,000	1,000	1.6%
081	081	081RP			0	0	0	0	0.0%	0	0	0.0%
081	081	081SB		37,076	37,076	53,722	57,911	4,189	7.8%	57,911	0	0.0%
081	081	081UL		1,249,143	1,284,181	1,217,715	1,405,865	188,150	15.5%	1,438,308	32,443	2.3%
081	081	081UW		86,200	86,200	86,200	86,200	0	0.0%	59,300	(26,900)	-31.2%
081	081	081WB		39,000	39,000	39,000	39,000	0	0.0%	42,000	3,000	7.7%
081	081	081WC		275,000	275,000	275,000	275,000	0	0.0%	296,000	21,000	7.6%
081	081	081WE		20,000	20,000	20,000	20,000	0	0.0%	20,000	0	0.0%
081	081	081WG		39,500	39,500	39,500	39,500	0	0.0%	39,500	0	0.0%
081	081	081WM		50,000	50,000	50,000	50,000	0	0.0%	55,600	5,600	11.2%
081	081	081WR		40,000	40,000	40,000	40,000	0	0.0%	46,200	6,200	15.5%
081	081	081WU		14,000	14,000	14,000	14,000	0	0.0%	15,100	1,100	7.9%
		Subtotal Services of Other Department	15,503,746	15,591,321	15,735,658	15,177,967	(557,691)	-3.5%	15,322,119	144,152	0.9%	
086	086	08699		(190,168)	(160,168)	(173,228)	(173,228)	0	0.0%	(173,228)	0	0.0%
091	093	0931G		879,888	887,713	887,713	1,041,713	154,000	17.3%	1,081,713	40,000	3.8%
		Grand Total	78,390,125	78,040,792	78,889,456	86,520,042	7,630,586	9.7%	87,353,334	833,292	1.0%	

**ANNUAL & OTHER PROJECTS BY DIVISION
FISCAL YEARS 2014-15 & 2015-16**

Division	Project Title	FY 2012-13	FY 2013-14	FY 2014-15	CHANGE	FY 2015-16	CHANGE
Real Estate							
	MISCELLANEOUS TENANT FACILITY IMPROVEMNT	\$ 185,000	\$ 185,000	\$ 185,000	\$ -	\$ 185,000	\$ -
	ABANDONED MAT/ILLEGAL DUMPING CLEANUP-RE	\$ 180,000	\$ 180,000	\$ 180,000	\$ -	\$ 180,000	\$ -
	PIER 80 UST INVESTIGATION	\$ 100,000	\$ 75,000	\$ 70,000	\$ (5,000)	\$ 70,000	\$ -
	<u>STORMWATER POLLUTION CONTROL</u>	\$ 190,000	\$ 190,000	\$ 190,000	\$ -	\$ 190,000	\$ -
	Subtotal	\$ 655,000	\$ 630,000	\$ 625,000	\$ (5,000)	\$ 625,000	\$ -
Planning & Development							
	PUBLIC ACCESS IMPROVEMENTS	\$ 75,000	\$ 75,000	\$ 75,000	\$ -	\$ 150,000	\$ 75,000
	WHARF J-10 OVERSIGHT	\$ 40,000	\$ 40,000	\$ 40,000	\$ -	\$ 40,000	\$ -
	PIER 94/96 BACKLANDS SITE INVESTIGATION	\$ 30,000	\$ 30,000	\$ 30,000	\$ -	\$ 30,000	\$ -
	HERON'S HEAD PARK (PIER 98)	\$ 183,000	\$ 183,000	\$ 210,000	\$ 27,000	\$ 210,000	\$ -
	PIER 90 SUBSURFACE PETROLEUM INVSTGION	\$ 50,000	\$ 40,000	\$ 40,000	\$ -	\$ 40,000	\$ -
	<u>(NEW) DEVELOPMENT PROJECTS</u>	\$ -	\$ -	\$ 4,220,000	\$ 4,220,000	\$ 4,227,245	\$ 7,245
	Subtotal	\$ 378,000	\$ 368,000	\$ 4,615,000	\$ 4,247,000	\$ 4,697,245	\$ 82,245
Maritime							
	CARGO FAC REPAIR	\$ 109,000	\$ 109,000	\$ 109,000	\$ -	\$ 109,000	\$ -
	<u>SOUTH BEACH HARBOR</u>	\$ 4,392,715	\$ 4,346,475	\$ 4,426,563	\$ 80,088	\$ 4,499,200	\$ 72,637
	Subtotal	\$ 4,501,715	\$ 4,455,475	\$ 4,535,563	\$ 80,088	\$ 4,608,200	\$ 72,637
Finance & Administration							
	AMERICA'S CUP	\$ 1,825,000	\$ 350,000	\$ -	\$ (350,000)	\$ -	\$ -
	EMERGE CITYWIDE PAYROLL PROJECT	\$ 291,663	\$ 303,010	\$ 312,806	\$ 9,796	\$ 311,722	\$ (1,084)
	GIS PROJECT	\$ 208,000	\$ 208,000	\$ -	\$ (208,000)	\$ -	\$ -
	ORACLE R12 UPGRADE PROJECT	\$ 150,000	\$ 300,000	\$ -	\$ (300,000)	\$ -	\$ -
	ENGINEERING CONTRACT SOFTWARE	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>IT ASSESSMENT & IMPLEMENTATION</u>	\$ 75,000	\$ -	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ -
	Subtotal	\$ 2,649,663	\$ 1,161,010	\$ 1,312,806	\$ 151,796	\$ 1,311,722	\$ (1,084)
Maintenance							
	FACILITY MAINTENANCE AND REPAIR	\$ 287,000	\$ 287,000	\$ 287,000	\$ -	\$ 287,000	\$ -
	<u>(NEW/ONE-TIME) BIG BELLY INSTALLATION</u>	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ 200,000
	OIL SPILL RESPONSE TRAINING & INVSTGION	\$ 90,000	\$ 90,000	\$ 90,000	\$ -	\$ 90,000	\$ -
	RINCON PARK MAINT. & MGT. ACCOUNT	\$ 196,922	\$ 201,463	\$ -	\$ (201,463)	\$ -	\$ -
	YOUTH EMPLOYMENT & ENVIRON BUDGET	\$ 565,000	\$ 565,000	\$ 565,000	\$ -	\$ 565,000	\$ -
	<u>(NEW) TREE REPLACEMENT & MAINTENANCE</u>	\$ -	\$ -	\$ 135,000	\$ 135,000	\$ 175,000	\$ 40,000
	Subtotal	\$ 1,139,922	\$ 1,143,463	\$ 1,077,000	\$ (66,463)	\$ 1,317,000	\$ 240,000
Executive							
	ICS TRAINING DVLPMT & IMPLEMENTATION	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)	\$ -	\$ -
	EMERGENCY OPERATIONS EQUIPT & SUPPLIES	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)	\$ -	\$ -
	PORT RESILIENCE & RECOVERY PROJECT	\$ 50,000	\$ 50,000	\$ -	\$ (50,000)	\$ -	\$ -
	<u>PORT EVENTS & PROMOTION</u>	\$ 150,000	\$ 150,000	\$ 150,000	\$ -	\$ 150,000	\$ -
	Subtotal	\$ 250,000	\$ 250,000	\$ 150,000	\$ (100,000)	\$ 150,000	\$ -
Engineering							
	HAZARDOUS WASTE ASSESSMENT & REMOVAL	\$ 50,000	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -
	A/E CNSLTNG PRJT PLNNING, DSG & COST EST	\$ 450,000	\$ 450,000	\$ 450,000	\$ -	\$ 450,000	\$ -
	UTILITY ANNUAL MAINTENANCE	\$ 50,000	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -
	<u>SANITARY SEWER MANAGEMENT PLAN</u>	\$ 90,000	\$ 90,000	\$ 90,000	\$ -	\$ 90,000	\$ -
	Subtotal	\$ 640,000	\$ 640,000	\$ 640,000	\$ -	\$ 640,000	\$ -
Grand Total		\$ 10,213,300	\$ 8,647,949	\$ 12,955,369	\$ 4,307,421	\$ 13,349,167	\$ 393,798

ATTACHMENT IV
FY 2014-15 & FY 2015-16 CAPITAL REQUESTS AND FUNDING

FUNDED PROJECTS	Funding Requests			Funding Allocation				
	FY 2014-15	FY 2015-16	Total	FY 2014-15 Capital Budget	FY 2015-16 Capital Budget	Reallocation of Prior Year Capital Funding	2013 Certificates of Participation	Total
Maintenance Dredging	\$ 4,150,000	\$ 5,150,000	\$ 9,300,000	\$ 3,431,000	\$ 4,714,000			\$ 8,145,000
Pier Structures Repair Project - 2nd pile driving crew	1,500,000	1,500,000	3,000,000	1,500,000	1,835,800			3,335,800
Wharf J-9 Seawall Repair	3,000,000	0	3,000,000	2,200,000				2,200,000
Pier Structures Repair Project	1,500,000	1,500,000	3,000,000			1,845,078		1,845,078
Pier 19 North Apron Repair	0	1,600,000	1,600,000				1,567,997	1,567,997
Southern Waterfront Open Space Enhancements	550,000	550,000	1,100,000	550,000	550,000			1,100,000
Dredge Materials Testing	500,000	500,000	1,000,000	500,000	500,000			1,000,000
Ferry Float Repairs - Add'l Funding	300,000	615,000	915,000	300,000	615,000			915,000
Northern Historic Pier Structures - Retaining	0	1,600,000	1,600,000		900,000			900,000
Modular Restroom Project - FW	243,000	0	243,000				667,500	667,500
Modular Restroom Project	965,083	0	965,083	200,000			470,000	670,000
Port Elevator/Escalator Upgrade, Repair & Replacement Proj.	618,631	0	618,631		610,000			610,000
(See Waterfront) Pier 40-46 EIR	525,000	0	525,000	525,000				525,000
Wharf J1 Underpier sewer replacement	510,000	0	510,000	510,000				510,000
Underpier Utilities - capital maintenance project	250,000	250,000	500,000	250,000	250,000			500,000
Port Seawall Study	0	500,000	500,000	500,000				500,000
Pier 94/96 Storm Drain & Outfall Repair	500,000	0	500,000		500,000			500,000
Homeland Security Grant Match	250,000	250,000	500,000	250,000	250,000			500,000
Central Basin Dredging Study	250,000	250,000	500,000	250,000	250,000			500,000
Southern Waterfront Greening & Beautification Proj	150,000	150,000	300,000	150,000	314,200			464,200
Amador - Design	1,750,000	0	1,750,000	0			464,000	464,000
Port Utilities Project - Fire Sprinklers	400,000	0	400,000	400,000				400,000
Pier 70 Historic Core Roadway & Sidewalk Repairs (Primary path of travel to site)	0	1,400,000	1,400,000		400,000			400,000
Hyde Street Harbor Electrical & Float Repairs	350,000	0	350,000	350,000				350,000
Wharfs J7 & J8	300,000	0	300,000	300,000				300,000
Pier 60/92/96 Track Maintenance Project - repairs to track at Pier 80	300,000	0	300,000		300,000			300,000
Container Crane Painting & Upgrade Project	1,034,917	0	1,034,917		300,000			300,000
Pier 43 Seawall Repair	250,000	0	250,000	250,000				250,000
Pier Structures Repair Project- Pier 2 Superstructure Demolition - Smbards	200,000	0	200,000	200,000				200,000
Pier 23 South Apron Repair	0	1,600,000	1,600,000				200,000	200,000
Pier 15/17 Fender Replacement	192,000	0	192,000		192,000			192,000
Emergency Capital Project Fund	84,000	86,000	170,000	84,000	86,000			170,000
Pier 80/92/96 Track Maintenance Project - other track and rail yard improvements	130,000	0	130,000		130,000			130,000
Port Utility Projects (various prgs.)	600,000	0	600,000		100,000			100,000
Port ADA Transition Plan - Add'l Funding	100,000	0	100,000	100,000				100,000
Total Funded	\$ 21,452,631	\$ 17,801,000	\$ 38,953,631	\$ 12,800,000	\$ 12,800,000	\$ 1,845,078	\$ 3,389,487	\$ 30,634,575

NOT FUNDED PROJECTS	Funding Requests			Funding Allocation				
	FY 2014-15	FY 2015-16	Total	FY 2014-15 Capital Budget	FY 2015-16 Capital Budget	Reallocation of Prior Year Capital Funding	2013 Certificates of Participation	Total
Waterfront Sewer Pump Repair Proj. Phase II	\$ 100,000	\$ 0	\$ 100,000					0
Surface Parking Lot at Pier 70 - Design	0	300,000	300,000					0
Southern Waterfront Backlands Development Project - Design	1,500,000	0	1,500,000					0
Southern Waterfront Backlands Development Project - Construction	0	6,500,000	6,500,000					0
Port Piers Window Reglazing & Repairs	450,000	0	450,000					0
Pier 94/96 High Mast Lighting Replacement	300,000	0	300,000					0
Pier 80/92/96 Track Maintenance Project - upgrades to accommodate 6-axle locomotives	500,000	0	500,000					0
Pier 80/92/96 Track Maintenance Project - revitalization of property served at Pier 90	105,000	0	105,000					0
Pier 80/92/96 Track Maintenance Project - improvement to track at Pier 80	400,000	0	400,000					0

NOT FUNDED PROJECTS	Funding Requests			Funding Allocation				
	FY 2014-15	FY 2015-16	Total	FY 2014-15 Capital Budget	FY 2015-16 Capital Budget	Reallocation of Prior Year Capital Funding	2013 Certificates of Participation	Total
Pier 80/92/96 Track Maintenance Project - grade crossing safety upgrades	80,000	0	80,000					(S)
Pier 80 Fender Replacement	540,000	0	540,000					(S)
Pier 70 Shipyard Power Relocation	300,000	3,300,000	3,600,000					(S)
Pier 48 North & South Apron Repairs	1,810,000	0	1,810,000					(S)
Pier 35 Substructure	1,000,000	0	1,000,000					(S)
Pier 31 Roof and Building Repairs	6,000,000	0	6,000,000					(S)
Pier 29 Substructure Repairs	0	2,000,000	2,000,000					(S)
Pier 29 Bayside History Walk	200,000	0	200,000					(U)
Pier 27 Northwest Wharf Plaza Public Restroom	900,000	0	900,000					(U)
Leasing Capital Improvement Project	100,000	0	100,000					(U)
Embarcadero Guardrail	1,000,000	0	1,000,000					(U)
Amador - Stormwater	6,000,000	0	6,000,000					(S)
Amador - Sewer	1,054,800	0	1,054,800					(S)
Amador - Roadway	2,000,000	0	2,000,000					(S)
Ag Building East & South Apron Repairs	2,000,000	0	2,000,000					(S)
Total Not Funded	\$ 26,339,800	\$ 12,100,000	\$ 38,439,800	\$ -	\$ -	\$ -	\$ -	\$ -
GRAND TOTAL	\$ 47,792,431	\$ 28,861,000	\$ 77,993,431	\$ 12,800,000	\$ 12,800,000	\$ 1,845,078	\$ 3,398,497	\$ 30,634,575

ATTACHMENT V

FY 2014-15 & 2015-16 CAPITAL BUDGET SUMMARY -- ALL SOURCES

Proj. No.	Project Title	Location	Division/ Section	2014-15 Capital Budget Funding	2015-16 Capital Budget Funding	Previous CB & Other Port Funding	Other Funding	Total Project Cost
Fisherman's Wharf								
CPO931-0101	SF Port Marina Repair & Upgrade Project	Hyde St Harbor	Maritime	350,000	0	0	0	350,000
	<i>Subtotal Fisherman's Wharf</i>			350,000	0	0	0	350,000
Northeast Waterfront								
CPO930-01	N Waterfront Historic Pier Structures Repair	Various	Maritime	0	900,000	0	7,926,089	7,926,089
CPO930-01	<i>Subtotal Northeast Waterfront</i>			0	900,000	0	7,926,089	7,926,089
Southern Waterfront								
CPO793-01	Pier 70 Historic Core Bldg Repairs/Improve, etc.	Pier 70	Planning	0	400,000	1,620,000	0	2,020,000
CPO752-01	Amador Street Forced Sewer Main	Pier 90/92	Maintenance			1,150,000	0	1,150,000
CPO794-01	Southern Waterfront Open Space Enhancements and Alternative Energy	Various	Planning	550,000	550,000	2,200,000	0	3,300,000
CPO774-01	Southern Waterfront Greening and Beautification Improvements	Various	Planning	150,000	314,200	680,000	0	1,144,200
CPO789-01	Container Crane Painting & Upgrade Project	Piers 80/94/96	Maritime	0	300,000	600,000	0	900,000
CPO720-01	Pier 80/92/96 Track Maintenance	Piers 80/92/96	Maritime	0	430,000	915,786	0	1,345,786
	<i>Subtotal Southern Waterfront</i>			700,000	1,994,200	7,166,786	0	9,860,986
Portwide Projects								
CPO625-	Drudge Materials Testing							
CPO727-	FYs 14/15 & 15/16 Programs	Various	Maritime	500,000	500,000	0	0	1,000,000
	Maintenance Dredging					0		
CPO625-18	FYs 14/15 & 15/16 Programs	Various	Maritime	3,681,000	4,964,000	0	0	8,645,000
CPO619-01	Emergency Capital Project Fund	Various	Fin & Admin	84,000	89,000	915,705	0	1,088,705
CPO667-01	Pre-Development Studies	Various	Plan & Develop	525,000	0	1,568,000	0	2,093,000
CPO680-01	Port ADA Transition Plan	Various	Engineering	100,000	0	2,676,416	0	2,776,416
CPO756-01	Seawall and Marginal Wharf Repairs & Improve	Various	Engineering	500,000	0	348,195	0	848,195
CPO761-01	Utilities Project	Various	Engineering	910,000	100,000		0	1,010,000
CPO773-01	Port Waterfront Support Assets Repair/Replace	Various	Maintenance	(1,845,078)	0	1,968,000	0	122,922
CPO778-01	Pier Structures Repair Project, Phase II	Various	Engineering	6,295,078	2,527,800	10,899,000	0	19,721,878
CPO780-01	Homeland Security Enhancements	Various	Executive	250,000	250,000	250,000	0	750,000
CPO785-01	Ferry Terminal Float Repairs	Various	Maritime	300,000	615,000	790,000	0	1,705,000
CPO776-01	Leasing Capital Improvement Project	Various	Real Estate	200,000	0	1,750,000	0	1,950,000
CPO795-01	Port Elevator/Escalator Upgrade and Repair	Various	Maintenance	0	610,000	750,000	0	1,360,000
CPO934-01	Underpier Utility Repairs & Improvements	Various	Engineering	250,000	250,000	0	0	500,000
	<i>Subtotal Portwide Projects</i>			11,750,000	9,905,800	21,915,316	0	43,571,116
PORT CAPITAL BUDGET FUNDED PROJECTS				\$12,800,000	\$12,800,000	\$29,082,152	\$7,926,089	\$61,708,191

2013 Certificates of Participation Projects

Proj. No.	Project Title	Location	Division/ Section	2014-15 City C.O.P.s Funding	Previous City C.O.P.s Funding	Port 2010 Revenue Bonds	Port Capital and Other Funding	Total Project Costs
Projects to be Partially Defunded								
CP0927	AC34 Improvements	Various	Engineering	<u>(3,389,497)</u>	<u>4,515,971</u>	<u>5,066,897</u>	<u>4,334,188</u>	<u>10,527,559</u>
TOTAL CERTIFICATES OF PARTICIPATION - AMOUNTS DEFUNDED								
Projects to be Funded								
CP0932	Public Restroom Improvements	Various	Planning	1,157,500	0	0	0	1,157,500
CP0752-01	Amador Street Forced Sewer Main	Pier 90/92	Maintenance	464,000	0	0	1,150,000	1,614,000
CP0778-01	Pier Structures Repair Project, Phase II	Various	Engineering	<u>1,767,997</u>	<u>0</u>	<u>0</u>	<u>10,899,000</u>	<u>12,666,997</u>
TOTAL CERTIFICATES OF PARTICIPATION - AMOUNTS FUNDED								
				<u>3,389,497</u>	<u>0</u>	<u>0</u>	<u>12,049,000</u>	<u>15,438,497</u>
CERTIFICATES OF PARTICIPATION - PROJECT TOTALS				<u>\$0</u>	<u>\$4,515,971</u>	<u>\$5,066,897</u>	<u>\$16,383,188</u>	<u>\$25,946,056</u>
GRAND TOTAL, PROJECT FUNDING								<u>\$87,674,247</u>

ATTACHMENT VI
Historical Capital Funding Relative to Operating Revenues

	Budget 2010-11	Budget 2011-12	Budget 2012-13	Budget 2013-14	Proposed 2014-15	Proposed 2015-16	Average
Operating Revenues	\$66,887,300	\$69,493,254	\$75,196,369	\$77,383,755	\$84,008,300	\$88,825,300	\$ 76,965,713
Capital Funding	\$10,838,456	\$15,420,117	\$10,242,542	\$14,000,000	\$12,800,000	\$12,800,000	\$ 12,683,519
<i>Ratio, Capital to Revenues</i>	16%	22%	14%	18%	15%	14%	16%

ATTACHMENT VII
Office, Bulkhead Office and Pier Shed Vacancy Rate

OFFICE	As of Dec 2013				As of Sept 2013			
	Total	Occupied	Available	% Vacant	Total	Occupied	Available	% Vacant
RoundHouse I	20,237	20,237	0	0.0%	20,237	20,237	0	0.0%
RoundHouse II	25,421	25,421	0	0.0%	25,421	25,421	0	0.0%
Pier 27/29 ¹	12,406	12,406	0	0.0%	12,406	12,406	0	0.0%
Ag Building	22,476	22,476	0	0.0%	22,476	18,465	1,961	8.7%
401 Terry Francois	10,764	10,764	0	0.0%	10,764	10,764	0	0.0%
501 Cesar Chavez	40,090	23,090	17,000	42.4%	40,090	23,090	17,000	42.4%
Pier 70, Bldg 11	25,154	25,154	0	0.0%	25,154	23,927	1,227	4.9%
Pier 96	18,542	15,542	3,000	16.2%	18,542	15,542	3,000	16.2%
Total Office	175,090	155,090	20,000	11.4%	175,090	149,852	23,188	13.2%
BULKHEAD OFFICE								
Pier 9	72,000	72,000	0	0.0%	72,000	72,000	0	0.0%
Pier 15 ⁴	4,084	4,084	0	0.0%	4,084	4,084	0	0.0%
Pier 17 ⁴	2,774	2,774	0	0.0%	2,774	2,774	0	0.0%
Pier 23 ^{1,3}	12,300	12,300	0	0.0%	12,300	12,300	0	0.0%
Pier 26 ³	18,433	18,433	0	0.0%	18,433	18,433	0	0.0%
Pier 28 ⁷	6,187	6,187	0	0.0%	6,187	6,187	0	0.0%
Pier 33	3,500	700	2,800	80.0%	3,500	0	3,500	100.0%
Pier 35	9,994	9,994	0	0.0%	9,994	9,994	0	0.0%
Pier 50	7,743	7,743	0	0.0%	7,743	7,743	0	0.0%
Pier 54 ²	3,000	3,000	0	0.0%	3,000	3,000	0	0.0%
Total Bulkhead Office	140,015	137,215	2,800	2.0%	140,015	136,515	3,500	2.5%
OVERALL OFFICE	315,105	292,305	22,800	7.2%	315,105	286,367	26,688	8.5%
PIER SHED								
Pier 9	29,754	29,754	0	0.0%	29,754	29,754	0	0.0%
Pier 15 ⁴	0	0	0	0.0%	0	0	0	0.0%
Pier 17 ⁴	0	0	0	0.0%	0	0	0	0.0%
Pier 19 & 19 1/2 ^{1,3}	94,544	94,544	0	0.0%	94,544	94,544	0	0.0%
Pier 23 ^{1,3}	54,000	54,000	0	0.0%	54,000	54,000	0	0.0%
Pier 26 ⁷	94,472	94,472	0	0.0%	94,472	94,472	0	0.0%
Pier 28 ⁷	44,644	44,644	0	0.0%	44,644	44,644	0	0.0%
Pier 33	61,192	61,192	0	0.0%	61,192	61,192	0	0.0%
Pier 35	242,299	242,299	0	0.0%	242,299	242,299	0	0.0%
Pier 38 ⁵	0	0	0	0.0%	0	0	0	0.0%
Pier 40	82,904	82,904	0	0.0%	82,904	82,904	0	0.0%
Pier 48	200,000	200,000	0	0.0%	200,000	200,000	0	0.0%
Pier 50	135,350	130,350	5,000	3.7%	135,350	130,350	5,000	3.7%
Pier 54 ²	20,000	20,000	0	0.0%	20,000	20,000	0	0.0%
Pier 96	400,600	400,600	0	0.0%	400,600	400,600	0	0.0%
Pier 96 M&R Building	30,000	30,000	0	0.0%	30,000	30,000	0	0.0%
Pier 80 M&R Building	30,000	30,000	0	0.0%	30,000	30,000	0	0.0%
Total Shed	1,519,759	1,514,759	5,000	0.3%	1,519,759	1,514,759	5,000	0.3%
OFFICE & SHED	1,834,864	1,807,064	27,800	1.5%	1,834,864	1,801,126	31,688	1.7%
RESTAURANTS								
Alto's	6,270	6,270	0	0.0%	6,270	6,270	0	0.0%
Capurro's	4,286	4,286	0	0.0%	4,286	4,286	0	0.0%
Castagnola's	9,107	9,107	0	0.0%	9,107	9,107	0	0.0%
D&G (Lou's Pier 47)	4,363	4,363	0	0.0%	4,363	4,363	0	0.0%
Fisherman's Grotto	18,796	18,796	0	0.0%	18,796	18,796	0	0.0%
Nick's Lighthouse	2,238	2,238	0	0.0%	2,238	2,238	0	0.0%
Pompei's	4,450	4,450	0	0.0%	4,450	4,450	0	0.0%
Sabella & La Torre	2,236	2,236	0	0.0%	2,236	2,236	0	0.0%
Scoma's	12,221	12,221	0	0.0%	12,221	12,221	0	0.0%
SFO Forecast (Cioppino's)	7,430	7,430	0	0.0%	7,430	7,430	0	0.0%
SFS39 (Franciscan)	12,143	12,143	0	0.0%	12,143	12,143	0	0.0%
Tatolino's	7,153	7,153	0	0.0%	7,153	7,153	0	0.0%
Boudin's	19,891	19,891	0	0.0%	19,891	19,891	0	0.0%
Andre Boudin's (Café)	5,400	5,400	0	0.0%	5,400	5,400	0	0.0%
Crab Station	927	927	0	0.0%	927	927	0	0.0%
Fog City Diner	7,627	7,627	0	0.0%	7,627	7,627	0	0.0%
Pier 23 Café	4,385	4,385	0	0.0%	4,385	4,385	0	0.0%

	As of Dec 2013				As of Sept 2013			
	Total	Occupied	Available	% Vacant	Total	Occupied	Available	% Vacant
Butterfly	7,972	7,972	0	0.0%	7,972	7,972	0	0.0%
Waterfront	11,894	11,894	0	0.0%	11,894	11,894	0	0.0%
Java House	1,490	1,490	0	0.0%	1,490	1,490	0	0.0%
The Ramp	2,500	2,500	0	0.0%	2,500	2,500	0	0.0%
Red's Java House	772	772	0	0.0%	772	772	0	0.0%
Sinbad's	8,528	8,528	0	0.0%	8,528	8,528	0	0.0%
Hi Dive	2,459	2,459	0	0.0%	2,459	2,459	0	0.0%
Carmen's	2,125	2,125	0	0.0%	2,125	2,125	0	0.0%
Mission Rock Resort	7,924	7,924	0	0.0%	7,924	7,924	0	0.0%
Black Coalition on Aids	1,000	1,000	0	0.0%	1,000	1,000	0	0.0%
East Street Cafe	11,909	11,909	0	0.0%	11,909	11,909	0	0.0%
Total Restaurant	187,496	187,496	-	0.0%	187,496	187,496	-	0.0%
OTHER RETAIL								
SF Maritime (Pompanito)	6,842	6,842	-	0	6,842	6,842	-	0
Jeremiah O'Brien	9,406	9,406	-	0	9,406	9,406	-	0
Guardino's Souvenir and Gift	1,827	1,827	-	0	1,827	1,827	-	0
Coast Marine	20,915	20,915	-	0	20,915	20,915	-	0
Frank's Fisherman's Supply	8,183	8,183	-	0	8,183	8,183	-	0
Safe Harbor (Portco)	2,499	2,499	-	0	2,499	2,499	-	0
The Bay Company (Arthur Hoppe)	10,413	10,413	-	0	10,413	10,413	-	0
Pier 33 Retail	1,600	-	1,600	0	1,600	-	1,600	0
Total Other Retail	61,685	60,085	1,600	2.6%	61,685	60,085	1,600	2.6%
RETAIL TOTAL	249,181	247,581	1,600	0.6%	249,181	247,581	1,600	0.6%
PORT TOTAL	2,084,045	2,054,645	29,400	1.4%	2,084,045	2,048,707	33,288	1.6%

Note: Includes only facilities available for leasing.

¹ Port took back possession of Piers 19, 19.5 and 23 on February 28, 2009

² Port assumed possession of Pier 54 in June 2007.

³ Port was required to deliver these facilities free of tenants by various dates in 2012 and 2013 for AC34.

⁴ Piers 15 and 17 are under a master lease to the Exploratorium effective Nov 2010

⁵ Possession of P38 reverted to the Port in winter 2011, however due to structural problems, the site is unleaseable.

⁶ In Jan 2012, these sites were part of AC34 deal, but were later removed.

⁷ An RFP award is currently in process as of November 2012.



MEMORANDUM

February 20, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Request Approval of Lease Number L-15771 for the EcoCenter at Heron's Head Park and surrounding 6,058 square feet of non-exclusive license area, located near the intersection of Jennings Street and Cargo Way, with the Bay Institute Aquarium Foundation, a Not For Profit California Corporation for a five-year term with two 2-year options

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

EXECUTIVE SUMMARY

The EcoCenter is a unique green building, designed and constructed to serve as an environmental education center and located within the Port of San Francisco's Heron's Head Park. In September, 2013 the Port issued a Request for Proposals ("RFP") to lease the EcoCenter and operate it in keeping with its purpose as a public resource, providing environmental education and demonstrating green building technology.

At its meeting on February 11, 2014, the Port Commission approved award of Lease Number L-15771 ("the Lease") to The Bay Institute Aquarium Foundation, a Not For Profit California Corporation, to operate and program the EcoCenter in collaboration with the A. Philip Randolph Institute ("APRI") and City College of San Francisco ("City College").

Port Staff is now seeking Port Commission approval to execute the 5-year Lease with The Bay Institute Aquarium Foundation as more fully described below.

THIS PRINT COVERS CALENDAR ITEM NO. 10A

BACKGROUND

Heron's Head Park is a 22-acre open space owned and operated by the Port, dedicated to wetland and wildlife habitat and passive recreation (see Exhibit A). Port tenant, Literacy for Environmental Justice (LEJ), a non-profit organization in the Bayview-Hunters Point neighborhood, has leased approximately 2,292 square feet of land beneath the EcoCenter and a surrounding 6,058 square-foot non-exclusive outdoor license area (see Exhibit B) since 2007. LEJ constructed the EcoCenter in 2009-2010, and has owned and operated it since.

On October 8, 2013, at the request of LEJ, the Port Commission authorized Port staff to negotiate and execute a mutual termination agreement through which ownership and operation of the EcoCenter would transition from LEJ to the Port¹. The Board of Supervisors voted unanimously to approve the Mutual Termination Agreement on December 17, 2013.

On September 25, 2013, the Port issued an RFP, which specified that the EcoCenter will be used primarily for education and public access with a focus on green building, sustainability, and San Francisco Bay habitats. It also established Port goals for operation and programming at the EcoCenter, including:

1. Promote public access and participation
2. Maximize the educational and other public benefits
3. Engage the local community
4. Operate the building systems and maintain surrounding landscaping
5. Coordinate with the Port staff to facilitate the Port's maintenance of the EcoCenter

The Port received proposals from APRI and The Bay Institute Foundation. At an informational presentation to the Port Commission on December 12, 2013, the two proposers presented their qualifications and proposed activities. Hearing these presentations and public comment, the Port Commission suggested that a collaboration between the two proposers might yield the greatest potential for public benefit, consistent with its goal for the EcoCenter listed above.

The Bay Institute Aquarium Foundation subsequently negotiated a memorandum of understanding with APRI under which they would collaborate to operate the EcoCenter in a manner that best serves the Port's objectives. Prior to submitting its original proposal, The Bay Institute Aquarium Foundation had executed a memorandum of understanding with City College of San Francisco. The subject agreements are provided in Exhibit D, Appendix A & B.

The Port Commission adopted Resolution 14-10, authorizing award of the Lease to the Bay Institute Aquarium Foundation on February 11, 2014². The parties have developed their combined proposal for operating and programming the EcoCenter as documented in an Operations and Program Plan (see Exhibit D), which will be an exhibit to the Lease. Port Staff now seeks Port Commission approval to execute the 5-year Lease with The Bay Institute Aquarium Foundation based upon the lease terms and Operations and Program Plan, which includes the joint collaboration with APRI and City College, described in this report. Port Staff

¹ See staff report to the Commission at <http://www.sfport.com/modules/showdocument.aspx?documentid=6838>

² <http://www.sfport.com/modules/showdocument.aspx?documentid=7301>

is now seeking Port Commission approval to execute the 5-year Lease with The Bay Institute Aquarium Foundation.

COLLABORATIVE APPROACH TO ECOCENTER PROGRAMMING

Under the collaborative approach that the two original proposers have developed, The Bay Institute Aquarium Foundation will lease the EcoCenter and operate it in collaboration with City College as its principal education partner and APRI as its principal community outreach partner. The three parties will continue to work with the existing environmental education programs offered by the Port and the San Francisco Recreation and Parks Department to K-12 schools and other groups. Programming will continue to focus on the environmental and social justice benefits of the EcoCenter's sustainable design features and integration with the ecology of Heron's Head Park and San Francisco Bay. An overview of the roles of each organization is provided in Exhibit C. The newly established collaboration requires melding the two original proposers' Operations and Program Plans into a unified plan. A Draft Operations and Program Plan that describes the proposed activities and role of each party in further detail is provided as Exhibit D.

LEASE TERMS

The Lease terms and conditions are consistent with those set forth in the RFP and the form of lease lodged September, 2013, prior to Port Commission approval of the RFP. The Lease terms are those of the Port's standard form lease with the exception of rent and maintenance. A summary of the salient lease terms is presented below.

<i>Tenant:</i>	The Bay Institute Aquarium Foundation
<i>Lease Number:</i>	L-15771
<i>Premises:</i>	The approximately 2,292 square-foot EcoCenter Building and 6,058 non-exclusive landscaped license area
<i>Term:</i>	60 months
<i>Lease Commencement Date:</i>	March 1, 2014
<i>Lease Expiration Date:</i>	February 28, 2019
<i>Extension of Terms</i>	Port has right to offer up to two 2-year extensions at its sole discretion, to be exercised by the Executive Director.
<i>Rent:</i>	The proposed lease terms include a base rent payment to the Port of \$1 per year, provided that the tenant is a non-profit entity and adheres to the Operations and Program Plan.
<i>Permitted Use:</i>	Education and public access. The Operations and Program Plan (Exhibit D to the Lease) specifies permitted uses in further detail.
<i>Maintenance and Repairs:</i>	Port is responsible for maintenance and repair of Facility

	Systems, including plumbing, wastewater, electrical, fire protection, life safety, security, and other mechanical and electrical systems in their current configuration and condition. Tenant is obligated to operate the building and report maintenance needs. Port and Tenant's maintenance and repair obligations for the systems in the EcoCenter are set forth in Exhibit E of this report and Exhibit E to the Lease.
Collaborative Partners:	Tenant will, from time to time, enter into collaborative partnerships or agreements with other parties (including other non-profit and educational groups) such as APRI and City College to fulfill its obligations under the Lease, including implementation of its Operations and Program Plan (see Memoranda of Understanding, attached in Exhibit D, Appendix A & B). Such parties will be deemed to be Tenant's Agents and Invitees and shall be subject to all terms and conditions of this Lease and a breach by such party constitutes a breach by Tenant.
Operations and Program Plan:	<p>Tenant shall operate and provide programming at the EcoCenter as described in the "Operations and Program Plan" which will be incorporated into the lease once approved by the Port's Executive Director or her designee.</p> <p>Port or Tenant may recommend revisions to the Operations and Program Plan over the course of the lease term. All revisions to the Operations and Program Plan, whether initiated by Port or Tenant, are subject to Port approval, in its sole discretion.</p> <p>Tenant will maintain records regarding its programming, including type of program, organization or institution participating, and number of participants, and provide quarterly reports to Port describing same. Failure to adhere to the Operations and Program Plan will be subject to provisions regarding default and remedies (described below).</p>
Default and Remedies:	Provisions regarding default and remedy are those of the Port's standard form lease, including failure by Tenant to comply with any terms, conditions, or agreements contained in the Lease, including the Port-approved Operations and Program Plan.
Security Deposit:	Tenant shall provide a Security Deposit of \$5,000.
As Is:	The Premises shall be accepted in its "as is" condition.

Insurance:	Tenant shall provide standard insurance coverage acceptable to Port and City Risk Manager.
City Requirements:	The lease contains all current lease provisions on the standard form approved by the City Attorney's Office, including compliance with laws, Port's Right to Terminate, Indemnity and Exculpation, and Hazardous Materials.

SOUTHERN WATERFRONT COMMUNITY BENEFITS AND BEAUTIFICATION POLICY

The Lease lies within the geographic area subject to the above-referenced Port policy, which requires tenants to implement beautification measures and provide community benefits in consideration for use of Port facilities or property in the southern waterfront. Specific measures identified by the policy include beautification, greening and maintenance of any outer edges of and entrances to the premises under the Lease, which the EcoCenter tenant will accomplish through its park and habitat stewardship; and commitment to use low impact design and other "green" strategies in stormwater infrastructure. The EcoCenter living roof and rainwater harvesting system provide an excellent model of low-impact design strategies.

BCDC AND CEQA

The use of the EcoCenter under the Lease will comply with the existing BCDC Permit No. M98-3, as amended through April 27, 2006, including operation of an environmental education center, outdoor gathering, and installation of outdoor educational exhibits. The permitted uses in the Lease are a continuation of existing and related uses and are therefore covered under the General Rule Exclusion pursuant to the California Environmental Quality Act.

OPERATIONS AND PROGRAM PLAN

The Bay Institute Aquarium Foundation, City College and APRI have been working together to refine an Operations and Program Plan (see Exhibit D). Port staff have performed an initial review and has provided input accordingly. At any time, the Port may request revisions based on additional review or changed conditions. The resultant Operations and Program Plan will become an exhibit to and an enforceable condition of the Lease.

The Operations and Program Plan describes minimum facility operations such as staffing, schedule for open hours and certain programs, and collaboration with APRI and City College. As described in this plan, the three parties will create programs that allow the EcoCenter to be "a treasured resource for the Bayview Hunters Point area and an epicenter for environmental education, social justice, place-based learning and green career development for San Francisco and beyond". The specific type, frequency and goals for the programs that The Bay Institute Aquarium Foundation and its collaborators will provide are detailed in Section 4.0.

The Operations and Program Plan sets forth an organizational structure that will draw on the institutional knowledge of the EcoCenter and current programs that will allow the EcoCenter to be open to the public and providing valuable programs from the first day of the lease period. The Bay Institute Aquarium Foundation will create five new paid positions at the EcoCenter

and provide support from its existing administrative, finance, and facilities maintenance staff from its Aquarium of the Bay facility.

The EcoCenter staff will coordinate with the existing environmental education programs provided by the Port through a partnership with the San Francisco Recreation and Parks Department – Youth Stewardship Program to support the Port's ongoing stewardship of Heron's Head Park. These programs are currently and will continue to be the primary means of providing environmental education at Heron's Head Park to K-12 schools. They will be greatly enhanced by consistent access to the EcoCenter and the additional educational resources and community outreach capacity that The Bay Institute Aquarium and its collaborators will provide.

The Bay Institute Aquarium Foundation and City College will offer college students education and training in operation, monitoring and research related to the EcoCenter's green building technologies. The EcoCenter affords students important place-based learning and work experience, including use of instruments and standard operating procedures specified by industry and regulatory standards in the green building and environmental monitoring fields.

The Bay Institute Aquarium Foundation and APRI will provide after-school programs at the EcoCenter for local youth, targeting skill-building and work opportunities in environmental and green building-related fields. Together they will seek funding to add new positions in community outreach based out of the EcoCenter to increase community engagement and relevant programming at the EcoCenter.

The Lease requires the tenant to maintain records regarding its programming, including type of program, organization or institution participating, and number of participants, and to provide quarterly reports to the Port describing same. These reports will include activities provided by and in collaboration with City College and APRI. However, The Bay Institute Aquarium Foundation is ultimately solely responsible for meeting the goals set forth in the Operations and Program Plan.

The Port or tenant may recommend revisions to the Operations and Program Plan over the course of the lease term. Revisions to the Operations and Program Plan, whether initiated by Port or Tenant, are subject to Port staff's approval, in its sole discretion. For example, if The Bay Institute Aquarium Foundation seeks to change the role of any collaborating organizations included in the Operations and Program Plan, such change would be subject to Port staff's approval.

The Port Commission has recognized the need for outstanding stewardship, community participation and education at the EcoCenter. In recognition of those needs, the Port Commission has agreed to a nominal rent for the facility in return for Tenant's ability and demonstrated commitment to meeting these goals. The Operations and Program Plan is the critical element to assuring the Port Commission that Tenant is compliant with this agreement. Failure to comply with the Port-approved Operations and Program Plan will be a lease default for which the Port will have remedies up to and including termination. For example, if the Port, in its sole discretion, determines that The Bay Institute Aquarium Foundation is not meeting its

programming obligations, then the Port will notify The Bay Institute Aquarium Foundation of a deficiency and request corrections within the timeframe required to cure provided by the Lease. The Port will work with The Bay Institute Aquarium Foundation during the cure period to ensure compliance with the Lease. If the Tenant fails to cure and the Port determines that the default constitutes a material default, the Port may pursue legal remedies established by the Lease. Such remedies include a legal action to evict the tenant and/or recover damages caused by Tenant's default.

RECOMMENDATION

Port staff recommends that the Port Commission approve Lease Number L-15771 with The Bay Institute Aquarium Foundation, a Not for Profit California Corporation, in the form described in this report and authorize the Port to execute the Lease once the Executive Director approves the Operations and Program Plan for the EcoCenter. If approved by the Port Commission, Port staff the Lease commencement date will be March 1, 2014. Port staff will carefully monitor the activities of the Tenant and return to a future Port Commission meeting to report on Tenant's first 100 days in operation.

Prepared by: Carol Bach, Environmental & Regulatory Affairs Manager
Planning & Development Division

Jeffrey Bauer, Senior Leasing Manager
Real Estate Division

For: Byron Rhett, Deputy Director
Planning & Development Division

Susan Reynolds, Deputy Director
Real Estate Division

Attachments

- Exhibit A: Site Location, The EcoCenter at Heron's Head Park
- Exhibit B: Site Plan for Lease L-15771
- Exhibit C: Proposed EcoCenter Programming
- Exhibit D: Draft Operations and Program Plan
- Exhibit E: Maintenance Obligations

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-13

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, regulate and control the lands within Port jurisdiction; and
- WHEREAS, The Port Commission has recognized and prioritized the need for outstanding stewardship, community participation and education at the EcoCenter and, in recognition of those needs, the Port Commission has agreed to a nominal rent for the facility in return for a new tenant's vision, demonstrated ability and investment in meeting these goals; and
- WHEREAS, Based on a Request for Proposals for a new lease for the 2,292 square foot EcoCenter building and surrounding 6,058 square foot non-exclusive license area within Heron's Head Park (collectively, the "EcoCenter") (issued per Resolution 13-38), the Port Commission awarded the lease opportunity ("Lease") to the Bay Institute Aquarium Foundation (the "Tenant") (Resolution 14-10); and
- WHEREAS, Tenant has created a collaborative partnership to operate and program the EcoCenter in collaboration with the A. Philip Randolph Institute ("APRI") and City College of San Francisco ("City College"); and
- WHEREAS, As further detailed in the staff memorandum accompanying this Resolution, the Lease provides for (i) the Tenant to operate the EcoCenter in keeping with its purpose as a public resource, providing environmental education and demonstrating green building technology, including compliance with a Port-approved operations and programs plan, which includes obligations for the surrounding park area, (ii) shared maintenance responsibilities by Port and Tenant, (iii) rent of one dollar per year for a five-year term and (iv) two 2-year options at Port's sole discretion; and
- WHEREAS, As required by the Lease, The Bay Institute Aquarium Foundation, APRI and City College have developed an Operations and Program Plan that describes the activities that they will provide, consistent with the permitted uses and the Port's goals for the EcoCenter, and performance of the proposed activities as described in the Operations and Program Plan is a condition of the Lease; and
- WHEREAS, The permitted uses in the Lease are a continuation of existing and related uses and are therefore covered under the General Rule Exclusion pursuant to the California Environmental Quality Act; now therefore be it

- RESOLVED, That the Port Commission hereby approves Lease Number L-15771 with The Bay Institute Aquarium Foundation, a Not For Profit California Corporation, to operate the EcoCenter in keeping with its purpose as a public resource, providing environmental education and demonstrating green building technology, including compliance with a Port-approved operations and programs plan, including obligations for the surrounding park area, and authorizes the Executive Director or her designee to execute the Lease; and be it further
- RESOLVED, That the Port Commission authorizes the Executive Director to approve the Operations and Program Plan and revisions thereto, to diligently monitor Tenant's compliance with the Operations and Program Plan and to take any and all actions necessary to enforce the Operations and Program Plan, if appropriate, offer and exercise the extension options in the Lease in her sole discretion, and to enter into any additions, amendments or other modifications to the Lease that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the Port or City or materially decrease the public benefits accruing to the Port, and are necessary and advisable to complete the transaction and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of any such documents.

I hereby certify that the Port Commission at its meeting of February 25, 2014 adopted the foregoing Resolution.

Secretary

Exhibit A. Site Location, The EcoCenter at Heron's Head Park

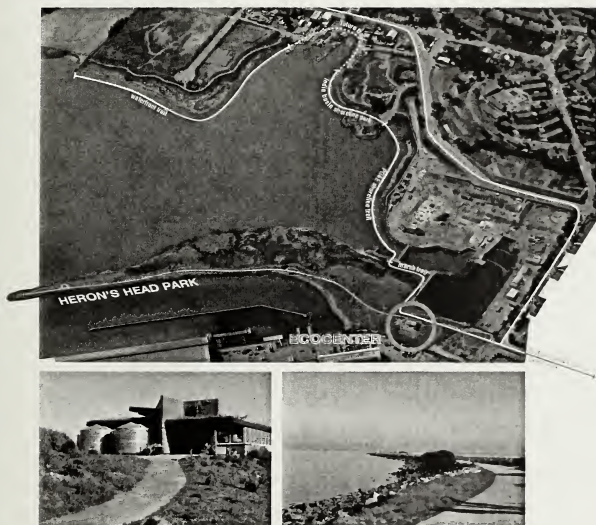
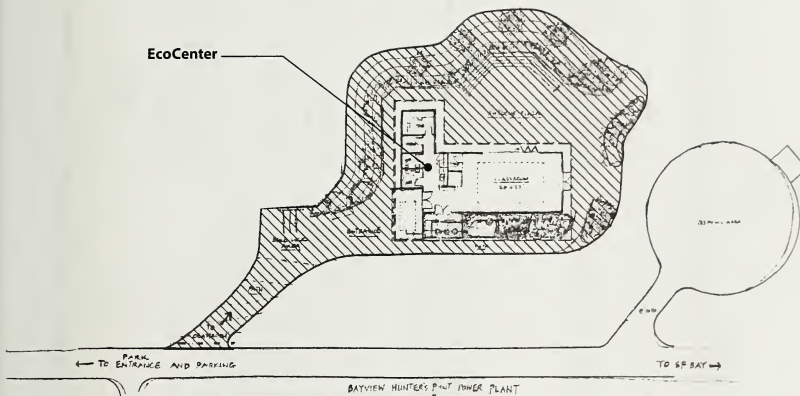


Exhibit B. Site Plan for Lease L-15771



The lease includes the 2,300 sq. ft. EcoCenter building and surrounding 6,058 sq. ft. non-exclusive license area.

[---] EcoCenter Building footprint

[Hatched] Non-exclusive license area.

Exhibit C: Proposed EcoCenter Programming

Program Title/Type (Lead) *	Program Description	Days/Hours Offered	Target Audience	Anticipated Reach During Year 1
EcoCenter nature center (TBI/AF)	EcoCenter open to the general public to visit.	Wednesdays-Saturdays 9:30 am – 3:30 pm	General park guests	4,000 general park guests
YSP & Greenagers programs (TBI/AF)	Coordination with current SF Parks & Rec Youth Stewardship Program (YSP) and Greenagers to provide guidance and training for habitat restoration and native landscaping activities mainly for K-12 audiences. EcoCenter staff will coordinate with Rec and Park staff to continue to provide tours and programming at the EcoCenter as a part of this site visit as well as build on existing programs and building of education program best practices.	Varied – based on the scheduling of YSP and Greenagers.	K-12 students, teachers and chaperones	400 students, teachers and chaperones
Programs for K-12 students and teachers (TBI/AF)	Providing tours of the EcoCenter and other education programming about the wetland ecosystem and the connection to the EcoCenter to Bay Area K-12 schools groups, focusing on District 10 public schools.	Tours and other education programs during EcoCenter operational hours that coincides with school hours (not weekends)	K-12 students, teachers and chaperones	400 students, teachers and chaperones
Programs for college students, work professionals and other adult groups (CCSF)	Providing tours of the EcoCenter to showcase the sustainable features of the building and HHP's history.	Tours programs during EcoCenter operational hours	College students, professors, working professionals, and other adult groups.	400 individuals

* The organization who will lead implementation of each element is shown in parentheses; however almost all of the programs listed in this table will require integration and contribution from two or all three collaborators: TBI/AF (The Bay Institute Aquarium Foundation), CCSF (City College of San Francisco) and the A. Philip Randolph Institute (APRI).

<p>Undergraduate Education Programs, City College Courses, Internships (CCSF)</p>	<p>CCSF classes that integrate the EcoCenter and Heron's Head Park will continue to be offered. The work experience course "Sustainability 91: Applied Research in Sustainability," created two years ago in part to steward the EcoCenter and its landscape, will remain an integral part of EcoCenter activities. Potential additional work experience, and sustainability-related courses include:</p> <ul style="list-style-type: none"> • Ecology, earth, and environmental science lecture and laboratory courses; • Habitat restoration and native landscaping field and work experience courses; • Green building lecture and field courses; • Renewable energy lecture and laboratory courses; • Engineering lecture, laboratory, and work experience courses; • Environmental monitoring and assessment program lecture and laboratory courses; and • Child Development and Family Studies Department's "CDEV 106: Science for Young Children," and student teacher work experience. 	<p>During EC Operating Hours - varied</p>	<p>Undergraduate students & professors</p>	<p>25 student interns</p>
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* The organization who will lead implementation of each element is shown in parentheses, however almost all of the programs listed in this table will require integration and contribution from two or all three collaborators: TBIAF (The Bay Institute Aquarium Foundation), CCSF (City College of San Francisco) and the A. Philip Randolph Institute (APRI).

<p>Volunteer opportunities and events (CCSF)</p>	<p>Drop-in and recurring volunteers will find our weekly and monthly landscaping and restoration work-days a hands-on opportunity to learn about native plants and to meet others in the community who share common interests. We will continue to:</p> <ul style="list-style-type: none"> • Support and expand the capacity of the San Francisco Parks & Recreation's Greenagers program on their monthly native plant restoration volunteer events; • Continue the regularly scheduled Friday volunteer day in the EcoCenter's surrounding landscape; • Explore possibilities of working with Laborers Local 261 to use native landscaping and habitat restoration work as part of their apprenticeship program; • Work with Hands On Bay Area (HOBAY) to engage businesses interested in volunteer opportunities; and • Keep these and other opportunities open to City College students and casual volunteers. We also will expand to include other local colleges, especially San Francisco State University. <p>We are also developing a monthly shoreline clean up-program at the park and will add volunteer opportunities to empower local community members – especially youth – by offering meaningful and relevant ways to enhance their community. These events will also engage volunteers from outside BVHP to spread the story of the EcoCenter and Heron's Head Park to a broader audience. APRI and the CAC will play a key role in outreach to ensure participation.</p>	<p>Saturdays</p>	<p>Drop-in and recurring volunteers</p>	<p>120 volunteers</p>
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* The organization who will lead implementation of each element is shown in parentheses, however almost all of the programs listed in this table will require integration and contribution from two or all three collaborators: TBIAF (The Bay Institute Aquarium Foundation), CCSF (City College of San Francisco) and the A. Philip Randolph Institute (APRI).

Science Saturday public programs (TBIAF)	We will add exciting new programming from TBIAF to the existing programs to create a new weekly event: Science Saturdays. Science Saturdays will draw on the experience and knowledge of local organizations to help visitors connect to the EcoCenter, Heron's Head Park, the San Francisco Bay, and their global community. These weekly offerings will be a mix of both volunteer events (Greenagers Saturday restoration events and new Shoreline Clean-Up events), engaging public programming with demonstrations and hands-on activities, and more instructional, lecture-based events. TBIAF, CCSF, and APRI will work will offer a year-round youth program intended to capture youth between the ages 14-24 youth from diverse Southeast communities and connect them to enrichment and career inspiring opportunities. We will provide technical support for internship applications, interviews, career preparation and employment retention. We have developed a system to track and support high school aged youth for overall success in their pursuit of opportunities youth are matched with. We will utilize a vast network of program supporters, educational institutions, neighborhood service connectors, and community leaders to inform and offer a broad audience of young adults.		General park or EcoCenter guests	480 general park guests
After-school youth programs (APRI)		Hours to be determined as program collaboration is planned and developed. Anticipated that program hours will happen during hours of operation, but might include when the EC is closed.	Youth and adults – primarily from the BFHP community.	100 youth & adults
Community meeting and event space (TBIAF)	Local youth groups, community organizations, and other public agencies will be able to use the EcoCenter for community meetings and as an assembly space for purposes that further our goal of connecting the community to their local environment. Organizations interested in hosting meetings or events at the EcoCenter will need to coordinate with EcoCenter staff as previously documented in this plan.	Varied	Youth and adults	150 participants

* The organization who will lead implementation of each element is shown in parentheses, however almost all of the programs listed in this table will require integration and contribution from two or all three collaborators: TBIAF (The Bay Institute Aquarium Foundation), CCSF (City College of San Francisco) and the A. Philip Randolph Institute (APRI).

Operations and Program Plan for the Heron's Head Park EcoCenter

**The Bay Institute Aquarium Foundation
In Collaboration with
City College of San Francisco
and
The A. Philip Randolph Institute**

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Appendices

Appendix A: Memorandum of Understanding between TBIAF and APRI

Appendix B: Memorandum of Understanding between TBIAF and CCSF Department Chairs

Operations and Program Plan

1.0 Introduction and Vision

The Heron's Head Park EcoCenter is an incredible space for environmental education, public outreach, and for helping people connect with the beauty of San Francisco's wild landscapes. It represents one of San Francisco's best examples of sustainable solutions to adverse human impacts on the environment. The EcoCenter is a model for green building, sustainable resource use, environmental justice, and experiential learning.

The project was a community-designed initiative, having integrated the voices of hundreds of community members over the course of a decade of planning. The Bay Institute Aquarium Foundation (TBIAF), in collaboration with City College of San Francisco (CCSF) and the A. Philip Randolph Institute (APRI), intends to honor the original intent of this unique facility, and its mission to fill an essential niche for the communities of southeast San Francisco within the environmental education field.

These three institutions will work together to continue developing the EcoCenter as a thriving hub for all facets of the surrounding community by strengthening and building on the EcoCenter's existing educational programming and partnerships. This collaboration will draw on our institutions' combined 95 years' experience in education; the community outreach and coordination experience of APRI; our highly effective outreach infrastructure; and the guidance from EcoCenter staff, leaders and representatives from Bayview Hunter's Point (BVHP) community groups, volunteers, working professionals, and students of all ages.

2.0 Organizational Structure and Responsibilities

In 1996 the Aquarium opened its doors on PIER 39 as Underwater World, re-opening in 2001 as Aquarium of the Bay. In 2009 the Aquarium became a non-profit organization through partnering with The Bay Institute, a thirty-year old organization that leverages scientific and environmental expertise to inspire California policy makers to legislate scientifically informed regulations for the Bay-Delta ecosystem. Since then we have worked for the Bay Area's wild places and its people as The Bay Institute Aquarium Foundation (TBIAF), a 501 (c)(3) doing business as Aquarium of the Bay. TBIAF has embraced an entrepreneurial spirit in its 17-year history, approaching all of our growth through the lens of our mission to protect, restore, and inspire conservation of San Francisco Bay and its watershed, from the Sierra to the sea. TBIAF is committed to watershed literacy and sustainability, and the EcoCenter is a perfect fit with the work we already do to promote environmental awareness in the Bay Area.

TBIAF (dba Aquarium of the Bay) is a 501(c)(3) organization governed by a Board of Directors. The Aquarium partners with The Bay Institute in its shared mission to protect, restore, and inspire conservation of San Francisco Bay and its watershed, from the Sierra to the sea. TBIAF's President and CEO, John Frawley, played a major role in its transition from a commercial business to a fully accredited, successful marine nature center. Mr. Frawley acts on behalf of the Board of Directors, who shape and guide the Aquarium's growth as a center for environmental education and inspiration. Our Board of Directors provides invaluable expertise regarding environmental policy-related issues. Collectively, the Board has over 50 years of mission-related experience. Board members also provide legal, financial, fundraising, and marketing acumen to our growing organization.

The TBIAF will hold the lease agreement for the EcoCenter and assume all financial and administrative responsibility for it. Other responsibilities include the provision of adequate staff for the terms of the lease and for the execution of educational programs. TBIAF will offer and coordinate use of the EcoCenter to any community and environmental organizations, free of charge, outside the EcoCenter's operating hours for meetings, programs, and events.

2.1 TBIAF and its Collaborators

TBIAF will work with CCSF and APRI as its principal collaborators to steward the EcoCenter and Heron's Head Park along with a multitude of other educational and community supporters. TBIAF, CCSF, and APRI will work towards a goal for the Heron's Head Park EcoCenter to become a treasured resource for BVHP and an epicenter for environmental education, social justice, place-based learning, and green career development for San Francisco and beyond. This

collaboration will explore and promote shared interests and expertise, which can be pursued through a variety of initiatives including but not limited to public outreach, educational programs, community enrichment activities, and volunteer programs.

TBIAF has negotiated and signed a Memorandum of Understanding (MOU) with APRI as well as with Department Chairs from CCSF (See **Appendices A and B, respectively**). The MOU with Department Chairs of CCSF will proceed through its official vetting process once the EcoCenter lease is signed by TBIAF. Further information on roles and responsibilities for the collaborators are discussed in subsequent sections. Other collaborators may be added as TBIAF develops programming at the EcoCenter.

Letters of support from other educational, environmental/sustainability, and community organizations that wish to collaborate with us include but will not be limited to:

- Bay Natives; Geoffrey Coffey, General Partner
- Environmental Science Associates (ESA); Gary W. Oates, President & CEO
- Exploratorium, Lori Lambertson
- Golden Gate Audubon Society; Eddie Bartley, Nature Education Committee
- John F. Kennedy University; Margaret Kadoyama, Museum Studies Program Adjunct Professor
- June Jordan School for Equity; Amber Lancaster, science teacher
- Literacy for Environmental Justice; Milton Reynolds, Board Chair
- Marcus Books Stores; Karen Johnson, Owner
- San Francisco Arts Commission, Tyra Fennell, Program Manager of Arts Education
- San Francisco State University; Nina Roberts, Associate Professor of Recreation, Parks & Tourism
- San Francisco STEM Academy Program at International Studies Academy High School; Katherine Aquino, Manager
- Urban Permaculture Institute; Kevin Bayuk, Co-Founder & Partner

2.2 EcoCenter Staffing Plan

Our staffing plan includes developing five new paid positions that mirror the organizational structure at TBIAF: EcoCenter Manager, Coordinator, Supervisors, and Naturalist. These positions will be filled by existing EcoCenter staff who currently provide the facility with demonstrated leadership and expertise. Anticipated first hires are as follows:

- Peggy Lopipero-Langmo, Eco Center Manager: a professor at CCSF and District 10 resident;
- Wendy Kwong, Eco Center Coordinator: current southeast San Francisco resident and CCSF alumnus;
- Caroline Lim, Eco Center Supervisor: southeast San Francisco resident and CCSF alumnus;
- Emily Fryer, EcoCenter Supervisor: CCSF environmental science major; and
- Charles Laws, EcoCenter Naturalist: a BVHP resident and active community member.

EcoCenter staff will be folded into the TBIAF's existing Education team as managers, coordinators, and supervisors to continue their existing work managing the daily operations and programming there. Staff will receive support from TBIAF's Human Resources, Finance, Development, and Marketing Departments, and our Facilities Department in the case of an emergency where the Port of San Francisco (Port) staff cannot be reached. All dedicated EcoCenter staff will coordinate with YSP and Greenagers to train and support their ongoing stewardship of the upland and wetland habitats surrounding the EcoCenter.

TBIAF staff and CCSF faculty will continue to work with qualified college students on the operations and maintenance, monitoring, and research activities on the EcoCenter's sustainable systems. These practices provide important place-based learning and work experience opportunities unprecedented in most educational institutions. The environmental monitoring in particular is conducted using instruments and standard operating procedures that are EPA approved and thus offer important work development opportunities in the field.

TBIAF staff and APRI will coordinate new programs at the EcoCenter to provide after-school programming for youth targeting around green career skills and work opportunities. Additionally, TBIAF intends to pursue funding that will enable adding Community Outreach positions in the future. These position(s) would strengthen the collaboration between TBIAF staff and APRI and hopefully increase the community presence and programming at the EcoCenter.

2.3 Key Staff - Qualifications and Roles

As listed in the previous section, anticipated first hires for the EcoCenter are as follows:

- Peggy Lopipero-Langmo, Eco Center Manager;
- Wendy Kwong, Eco Center Coordinator;
- Caroline Lim, Eco Center Supervisor;
- Emily Fryer, EcoCenter Supervisor; and
- Charles Laws, EcoCenter Naturalist.

Along with Carrie Chen, Director of Education and Conservation for TBIAF and Jackie Flin, Executive Director for APRI, we have provided additional information about these key staff and their roles below for reference.

Carrie Chen, Director of Education and Conservation, TBIAF

Ms. Chen's role at the EcoCenter is to direct the implementation of new educational and outreach programming at the EcoCenter in collaboration with Peggy Lopipero-Langmo and APRI's Jackie Flin. She will Co-chair the Community Advisory Committee with Ms. Flin and will work with APRI to implement committee recommendations.

Ms. Chen earned an undergraduate degree in Environmental Biology from University of Colorado at Boulder and a Master's Degree in Environmental Education from California State University – East Bay. Ms. Chen is the Director of Education & Conservation for TBIAF, with more than sixteen years of experience with environmental science education organizations around the country. Ms. Chen provides leadership for TBIAF's public and interpretive programs, K-12 school and teacher programs, fee-based youth programs, volunteers and conservation/sustainability initiatives – along with supporting fundraising efforts, staff training, professional development, evaluation and other related projects. Ms. Chen has previously held leadership positions at the Marine Science Institute and Lawrence Hall of Science, both of which involved developing and leading public education programs on marine science and San Francisco Bay.

Jackie Flin, Executive Director, APRI

Ms. Flin's role at the EcoCenter is to collaborate with TBIAF and CCSF on community outreach efforts and execution of the after-school program for youth at the EcoCenter. She will Co-chair the Community Advisory Committee with Ms. Chen and will work with TBIAF to implement committee recommendations

Ms. Flin began her career in union labor with the Service International Employees Union, Local 790 (now Local 1021), in 2000 as an administrative assistant supporting union activities within the local. In 2009, Ms. Flin received a Bachelor of Science Degree in Cellular Biology from the University of California, Davis. Ms. Flin has been serving as the Executive Director of the A. Philip Randolph Institute San Francisco in 2011, furthering the mission on the organization and executing the directives of the Executive Board. Ms. Flin has developed and executed successful educational, workforce development, and recreational programs that prepare jobseekers with employment skills for sustainable careers in the San Francisco Bay Area region.

Peggy Lopipero-Langmo, EcoCenter Manager

Ms. Lopipero-Langmo's role is EcoCenter Manager. This role is responsible for overseeing the integration of new and existing programming at the EcoCenter, help direct the development of educational materials, interpretive programs, and volunteer programs in collaboration TBIAF, coordinate programs in collaboration with CCSF, and coordinate community outreach efforts with APRI and TBIAF.

Ms. Lopipero-Langmo earned a BA in Physiology and a Masters of Public Health with an emphasis in Environmental Toxicology and Epidemiology from U.C. Berkeley. She worked nearly 20 years studying the health effects of numerous hazardous substances and has more than a dozen peer-reviewed publications in the field, and ran an environmental consulting business for 12 years where she served as a scientific expert on environmental law cases before discovering her passion for environmental education. For the past seven years, Ms. Lopipero-Langmo has been an instructor in the Biology and Engineering and Technology Departments at City College of San Francisco (CCSF). Since January 2012, Ms. Lopipero-Langmo has supervised and instructed students in the operations and maintenance, monitoring, and research of the sustainable systems at the EcoCenter as part of the CCSF Applied Research in Sustainability work experience class. She worked with LEED-certified Architect Heidi Leibes and CCSF students to successfully complete the LEED

application process in 2013. Ms. Lopipero-Langmo also works with students to design and develop content for the EcoCenter website and a docent and tour training document, and is currently creating curriculum materials being piloted with several schools. She leads tours and programming for K-12 and college students, casual visitors, and sustainable building and development professionals. She trains students as tour guides and docents to assist with this work. Ms. Lopipero-Langmo officially became the EcoCenter's Program Manager/Lead Educator in October 2012.

Wendy Kwong, EcoCenter Coordinator

Ms. Kwong's role is EcoCenter Coordinator. This role is responsible the execution of tours and programs and assist the EcoCenter Manager to ensure access to the facility for San Francisco Recreation and Parks' Department ("Rec & Park") Programs, APRI programs, and other after hours use of the EcoCenter. She will also work with the EcoCenter Manager and the TBIAF Education team on the refining and development of further educational programs at the EcoCenter.

Ms. Kwong has a BS in Environmental Systems with a concentration in Environmental Chemistry from University of California, San Diego. During her senior year, she interned at the San Diego River Park Foundation where she conducted monthly water quality monitoring, collected soil and water samples, and wrote the report for a volatile organic compounds scoping study of the San Diego River. Ms. Kwong became a volunteer, then student intern at the EcoCenter in October 2012 and assists with monitoring, analyzing, and recording the chemical, biological and physical data from the wastewater treatment system, rainwater harvesting tanks, and constructed wetland using EPA-approved instruments. As a paid intern beginning in May 2013, Wendy's duties expanded to all aspects of operations and maintenance, research on and culturing of freshwater pond organisms, development of educational materials for wetland ecology, and assisting with regulatory reporting, tours, and educational programming. Wendy is also an intern at Treadwell & Rollo, an environmental and engineering consulting firm where she works on various projects in San Francisco, including Hunter's Point Naval Shipyard.

Emily Fryer, EcoCenter Supervisor

Ms. Fryer's role is EcoCenter Supervisor. Her role is to assist with execution of tours and programs, provide guidance to college interns on operations and maintenance of the sustainable systems of the EcoCenter and stewardship of Heron's Head Park, and coordinate with Ms. Gomez the support of habitat restoration and landscaping activities for YSP and Greenager Programs and volunteer workdays.

Ms. Fryer is currently completing her undergraduate coursework in Environmental Science with an emphasis in Economic and Policy Management, while also pursuing the interdisciplinary certificate in sustainability as well as a certificate in environmental monitoring from City College of San Francisco. Ms. Fryer has been a student intern at the EcoCenter since June 2012 and became a paid intern May 2013. Her current duties include landscape maintenance of the EcoCenter footprint, installation of new plant stock and maintenance of a multifaceted irrigation system. Ms. Fryer is currently creating instructional and educational materials for native plants in the EcoCenter landscaping and at Heron's Head Park. When Emily is not busy tending to the EcoCenter site and park needs, she assists with the monitoring of the wastewater treatment system. Ms. Fryer attends monthly operations meetings with Rec & Parks regarding programming for YSP and Greenagers, and Port Maintenance and Literacy for Environmental Justice staff regarding park priorities including the spread of invasive plant species. She hosts a monthly volunteer workday for individuals and corporate groups as a project leader for Hands On Bay Area and gives tours to groups ranging from elementary school classes to working professionals.

Caroline Joy Lim, EcoCenter Supervisor

Ms. Lim's role is EcoCenter Supervisor. Her role is to assist with execution of tours and programs, provide guidance to college interns on operations and maintenance of the sustainable systems of the EcoCenter and stewardship of Heron's Head Park, and coordinate with Ms. Gomez the support of habitat restoration and landscaping activities for YSP and Greenager Programs and volunteer workdays.

Ms. Lim has a BS in Ecology and Evolutionary Biology with a focus in plant sciences and marine biology from University of California, Santa Cruz. She spent two years in the field of habitat restoration throughout northern and central California focusing on the removal of invasive vegetation and biological monitoring. Ms. Lim has been a student intern volunteering at the EcoCenter since May 2012 where she monitors, analyzes, records, and reports biological, chemical, and physical data of the on-site wastewater treatment system, constructed wetland, and rainwater harvesting tanks. She conducts research and prepares educational materials for use in curriculum development related to wetland ecology, native landscaping, and habitat restoration. Ms. Lim is also a laboratory intern at Cel Analytical, an EPA

certified environmental laboratory, where she analyzes the microbiology and chemistry of water and soil samples.

Charles Laws, EcoCenter Naturalist

Mr. Laws role is EcoCenter Naturalist. His role is to assist with tours and programs particularly involving community organizations and youth and will continue to assist with supervisor of college students with the operations and maintenance of the EcoCenter's sustainable systems.

Mr. Laws is about to successfully complete the requirements for a Biotechnology Laboratory Assistant certificate through City College of San Francisco's Bridge to Bioscience Program. In October of 2012, Mr. Laws became a volunteer student intern at the EcoCenter, where he has assisted in all aspects of the sites operation and maintenance including environmental monitoring of the wastewater treatment and rainwater harvesting systems, energy system maintenance, native landscape maintenance, monthly safety and health inspections, building repairs and maintenance, and assistance with tours and other educational programming. In July 2013, Charles became a paid student intern. Mr. Laws is also a Hunters Point Shipyard Trainee within the Environmental Department of Treadwell and Rollo, and passionate about sustainability and community involvement at Bayview Hunter's Point.

Note: Additional staff will be involved to assist with program development and execution from both TBIAF and APRI. These additional staff have not been listed in this document. If needed, TBIAF and APRI can provide information about these staff to the Port.

2.4 EcoCenter Advisory Committee

We have begun forming an EcoCenter Advisory Committee (EAC) that will drive our community outreach efforts, future funding and program development. We hope to work to directly integrate community groups and the constituencies they represent into the day-to-day activities at the EcoCenter. TBIAF and APRI are working to establish broad representation from within the BVHP community by establishing this EAC of at least twelve representatives from community groups. TBIAF has connected to representatives from numerous local organizations and interest groups, who will ensure that our offerings cater to local needs, and that the people of BVHP come first. *As the EAC develops, TBIAF will update the Port as to EAC members/advisors, the organizations they represent and their meeting schedule.*

More information on the role of the EAC and its continued development will be discussed in Section 6.0 Community Outreach and Engagement Plan.

2.5 Key Contacts

Name	Phone	Email	Contact for
Bobbi Evans TBIAF CFO	415-623-5325	bobbi@bay.org	Concerns or issues related to the EC lease.
Carrie Chen TBIAF Director of Education & Conservation	415-623-5335	carrie@bay.org	EcoCenter administrative questions, EAC questions, EC lease questions.
Peggy Lopipero-Langmo TBIAF EcoCenter Manager	415-786-1464	peggy.lopipero@mail.ccsf.edu peggy@bay.org	EcoCenter event, tour, and program scheduling and general information
Jackie Flin APRI Executive Director	510-921-4425	Jackie.aprisf@yahoo.com	EAC questions, Youth after-school program questions

Additionally, interested parties can also visit the website at www.ecocenterhph.org for further information.

3.0 Facility Operations

The EcoCenter will be open to the public free of charge Wednesdays through Saturdays from 9:30AM to 3:30PM for the public and for programs. In the event of unforeseen staff emergencies, facility improvements, programming strategic planning, facility rentals or similar circumstances, TBIAF reserves the right to adjust EcoCenter hours of operation or temporarily close the EcoCenter. In the event of this type of closure, TBIAF staff will be made aware and appropriate signage will be posted at the EcoCenter and via the EcoCenter website to ensure communication.

Additionally, in the event that the EcoCenter property that is identified in the lease becomes unsafe for staff, guests, students or the environment due to environmental hazards, domestic hazards or other concerns, TBIAF reserves the right to adjust the EcoCenter hours of operation or temporarily close the EcoCenter. In the event of this type of closure, TBIAF staff will be made aware and appropriate signage will be posted at the EcoCenter and via the EcoCenter website to ensure communication.

Future development of new and/or additional programs, pending direction from the EcoCenter Advisory Committee (EAC), will determine additional hours of operation as they become funded. The facility will be kept open to accommodate any community organizations that wish to use the EcoCenter on any additional days.

The EcoCenter Program Manager should be contacted at least three weeks in advance if they wish to book the EcoCenter for a program, tour, or other event/use. The EcoCenter Program Manager will maintain a Google calendar to keep track of events at the EcoCenter and post listings to Activity and Events calendar on the EcoCenter website, which is available to the public. Rec and Parks' Youth Stewardship Program (YSP) personnel will continue to have access to the shared Google calendar to schedule programs and should indicate when a tour and program with the EcoCenter is to be included so staff can coordinate its planning and execution. Additionally, TBIAF and APRI staff will be able to have access to and utilize this calendar to schedule programs and/or EAC meetings.

3.1 Policy for After Hours Use

Policy for after-hours use will be established by TBIAF EcoCenter staff together with its principal collaborators by June 30, 2014. Guidelines for shared use of the building will be updated and all users of the facility will be required to read and abide by all policies particularly regarding health and safety concerns. All users of the facility will be contacted if they have an event scheduled and the EcoCenter must be closed to the public in the event of a wastewater treatment or electrical system maintenance or malfunction.

3.2 Operations, Maintenance, and Inspection Plan

TBIAF and CCSF will collaborate to ensure that staff complete each of the following tasks, ensuring the EcoCenter is properly maintained:

- Note each day that the EcoCenter facility is staffed, no less than 4 days/week, any leaks, alarms or overflows in any of the tanks, sumps, piping or constructed wetland, or other evidence of malfunctions. If any of the above are observed, immediately contact the Port Property Manager.
- Check energy system monitoring software for percent state of charge on batteries, energy production, and energy consumption of the electrical system in the solar room. Keep an eye on these measures to avoid dropping to low. If charge drops below 50%, turn off the wastewater treatment system, lights, and other electricity users until batteries can recharge.
- Check the rainwater harvesting tanks for leaks. If an issue is found, immediately contact the Port Property Manager.
- Weed, water and replace plants in non-exclusive license area.
- Implement green cleaning practices.

As discussed previously, we will be hiring the current EcoCenter staff who have developed and put into practice the operations, maintenance, monitoring, and reporting guidelines for the facility's sustainable systems. Consequently, we will have both the expertise and experience to implement all facility and landscape operations indicated as the responsibility of the tenant. The respective operations and maintenance responsibilities of the Port and Tenant are outlined in **Lease No. L-15771, Exhibit E: Maintenance Obligations**. Pursuant to Lease Exhibit E, the Port and TBIAF

will establish and maintain a written inspection plan with additional detail regarding each party's operations and maintenance obligations within 60 days after lease execution.

TBIAF and CCSF faculty wish to continue to work with qualified college students on the operations, maintenance, and monitoring of the EcoCenter's sustainable systems. These practices provide important place-based learning and work experience opportunities unprecedented in most educational institutions. The environmental monitoring is conducted using instruments and standard operating procedures that are EPA approved and thus offer important work development opportunities in the field. TBIAF and collaborators will meet with Port Maintenance staff to further discuss EcoCenter staff and CCSF student involvement in these operations.

4.0 Environmental Education Programs

The EcoCenter represents the only opportunity in San Francisco for place-based, hands-on education of sustainable systems. It has provided an unprecedented opportunity for ongoing work experience training with these systems – especially environmental and biological monitoring of its wastewater treatment system, constructed wetland, and native plant landscaping and restoration work. It is also the only site in San Francisco where visitors can make direct connections between sustainability in the built environment and the natural processes that inspire sustainable resource conservation and management. All of these opportunities are provided in one place, making the Heron's Head Park EcoCenter a natural magnet for environmental education and outreach.

Below is a list of each type of program we will provide during our first year in operation (March 2014-February 2015), as well as additional information as to the days/hours offered for this type of program, the target audience, as well as the anticipated reach of this program in Year 1. *Please note that the anticipated reach during Year 1 was developed based on tours and programs that have occurred during the past year.*

TBIAF will report quarterly and at the end of Year 1, and may update its program plan for Year 2 based on its experience during this first year of programming.

Program Title/Type	Program Description	Days/Hours Offered	Target Audience	Anticipated Reach During Year 1
EcoCenter nature center	EcoCenter open to the general public to visit.	Wednesdays-Saturdays 9:30 am – 3:30 pm	General park guests	4,000 general park guests
YSP & Greenagers programs	Coordination with current Rec & Parks YSP and Greenagers programs to provide guidance and training for habitat restoration and native landscaping activities mainly for K-12 audiences. EcoCenter staff will coordinate with Rec and Parks staff to continue to provide tours and programming at the EcoCenter as a part of these site visit as well as build on existing programs and building of education program best practices.	Varied – based on the scheduling of YSP and Greenagers.	K-12 students, teachers and chaperones	400 students, teachers and chaperones
Programs for K-12 students and teachers	Providing tours of the EcoCenter and other education programming about the wetland ecosystem and the connection to the EcoCenter to Bay Area K-12 schools groups, focusing on District 10 public schools.	Tours and other education programs during EcoCenter operational hours that coincides with school hours	K-12 students, teachers and chaperones	400 students, teachers and chaperones

Programs for college students, work professionals and other adult groups	Providing tours of the EcoCenter to showcase the sustainable features of the building and HHP's history.	Tours programs during EcoCenter operational hours	College students, professors, working professionals, and other adult groups.	400 individuals
Undergraduate Education Programs, City College Courses, Internships	<p>CCSF classes that integrate the EcoCenter and Heron's Head Park will continue to be offered. For example, the work experience course "Sustainability 91: Applied Research in Sustainability," will remain an integral part of day-to-day EcoCenter activities. Additional work experience, field, and sustainability-related courses will feature the EcoCenter, such as:</p> <ul style="list-style-type: none"> Ecology, earth, and environmental science lecture and laboratory courses; Habitat restoration and native landscaping field and work experience courses; Green building lecture and field courses; Renewable energy lecture and laboratory courses; Engineering lecture, laboratory, and work experience courses; Environmental monitoring and assessment program lecture and laboratory courses; and Child Development and Family Studies Department's "CDEV 106: Science for Young Children." and student teacher work experience courses. 	During EC Operating Hours - varied	Undergraduate students & professors	25 student interns
Volunteer opportunities and events	<p>Drop-in and recurring volunteers will find our weekly and monthly landscaping and restoration work-days a hands-on opportunity to learn about our native plants and a fun way to meet others in the community who share common interests. We will continue to:</p> <ul style="list-style-type: none"> Support and expand the capacity of Rec & Park's Greenagers program on their monthly native plant restoration volunteer events; Continue the regularly scheduled Friday volunteer day in the EcoCenter's surrounding landscape; Explore possibilities of working with Laborers Local 261 to use the native landscaping and habitat restoration work as part of their apprenticeship program; Work with Hands On Bay Area (HOBA) to engage businesses interested in volunteer opportunities; and Keep these and other opportunities open to City College students and casual volunteers. We also will expand to include other local colleges, especially San Francisco State University. <p>We are also developing a monthly shoreline and park clean up program and will build capacity for additional volunteer opportunities to empower local community members, especially youth, by offering meaningful and relevant ways to enhance their community. These events will also engage volunteers from outside BVHP in order to spread the inspiring story of the EcoCenter and Heron's Head Park to a broader audience. APRI and the CAC will play a key role in outreach to ensure participation.</p>	Saturdays	Drop-in and recurring volunteers	120 volunteers

Science Saturday public programs	We will add exciting new programming from TBIAF to create a new weekly event: Science Saturdays. Science Saturdays will draw on the experience and knowledge of local organizations while also showcasing our own strengths to help visitors connect to the EcoCenter, Heron's Head Park, the San Francisco Bay, and their global community. These weekly offerings will be a mix of both volunteer events (Greenagers Saturday restoration events, park cleanup events), engaging public programming with demonstrations and hands-on activities, as well as more instructional, lecture-based events.		General park or EcoCenter guests	480 general park guests
After-school youth programs	TBIAF, CCSF, and APRI will work will offer a year-round youth program intended to capture youth between the ages 14-24 from diverse Southeast communities and connect them to enrichment and career inspiring opportunities. We will provide technical support for internship applications, interviews, career preparation and employment retention. We have developed a system to track and support high school aged youth for overall success in their pursuit of opportunities youth are matched with. We will utilize a vast network of program supporters, educational institutions, neighborhood service connectors, and community leaders to inform and offer a broad audience of young adults.	Hours to be determined as program collaboration is planned and developed. Anticipated that program hours will happen either during hours of operation – but might include when the EC is closed to the general public.	Youth and adults – primarily from the BFHP community.	100 youth & adults
Community meeting and event space	Local youth groups, community organizations, and other public agencies will be able to use the EcoCenter for community meetings and as an assembly space for purposes that further our goal of connecting the community to their local environment. Organizations interested in hosting meetings or events at the EcoCenter will need to coordinate with EcoCenter staff as previously documented in this plan.	Varied	Youth and adults	150 participants

5.0 Community Outreach and Engagement Plan

TBIAF strives to reach communities throughout the San Francisco Bay Area, and will focus significant time and resources on ensuring that our work at the EcoCenter is appropriate for the families and students living in the BVHP. As mentioned previously, TBIAF and APRI will develop and implement an EcoCenter Advisory Committee (EAC) made up of BVHP community organizations and relevant environmental/education organizations. The purpose of the EAC is to have clear communication between TBIAF, APRI and the community to ensure the BVHP community is engaged as a stakeholder, future EcoCenter programming, use of the EcoCenter, communication and outreach to the community about the EcoCenter, and potential funding opportunities.

Designated representatives from TBIAF and APRI will co-chair the EAC. The co-chairs and organizations they represent will collaborate to lead this committee in the following manner:

- Define and develop the EAC starting Day 1 at the EcoCenter including developing committee goals and objectives, defining meeting schedule, based on the needs of the community and committee members;
- Define the number of committee seats, define representation for each seat, ensure representation for each seat and develop sub-committees as needed;
- Coordinate and execute EAC meetings, including but not limited to developing meeting agendas, communicating to EAC members about meetings, acting as secretary for meeting minutes, and reporting back to EcoCenter and TBIAF staff about EAC recommendations and next steps;
- Work with EcoCenter staff, TBIAF staff and EAC organizations to secure funding for the new Community Relations/Outreach positions listed in the EcoCenter proposal budget and discussed under staffing plan. Once funding is secured for these positions, the co-chairs will lead the hiring process for these new staff; and
- Work with EcoCenter staff, TBIAF staff and EAC organizations (when needed) on future programmatic ideas and funding/resource allocation.

Additionally, TBIAF will work collaboratively with CCSF and APRI to develop a full communications and outreach plan, which we will complete within the first 6 months of the lease. This will include:

- Developing consistent messages about the EcoCenter for use in the website, collateral, and other marketing materials.
- Reaching out to key organizations and community members using these new consistent messages; and
- Planning and executing a launch event to “re-introduce” the community to the EcoCenter.

Finally, TBIAF will foster a deeper connection to the BVHP by inviting one of its local residents to become a new member of our Board of Directors, ensuring integration of the community into our organizational leadership. This Board member will be asked to take an active role to help ensure that the EcoCenter’s Outreach and Education programs establish meaningful connections to BVHP constituents.

6.0 Monitoring and Reporting Program Implementation

The Bay Institute Aquarium Foundation will provide Port of San Francisco quarterly and annual reports on its operations and programming at the EcoCenter and will include the following metrics:

- (1) Program content
- (2) Type and number of participants or programs
- (3) Participation by local entities
- (4) Contact hours

Program participants, including teachers, interest groups, and local businesses, will submit program application forms detailing their age, group size, special needs, and city and/or neighborhood to allow the EcoCenter to track its audience reach.

We will count people entering the EcoCenter during visitor hours and record any impromptu tours. At the start of our tenancy, we will gather information about the visitors to the EcoCenter via a sign in sheet at the facility. We hope to upgrade this to an iPad that can assist with visitor data tracking and audience surveys, which is currently in use at the Aquarium successfully.

7.0 Fees

All anticipated programming is expected to be provided free of charge, with materials costs to be offset by donations at a rate to be determined and approved by the Port of San Francisco. In the future, per the terms of the lease, TBIAF might develop some donation guidelines for space use or general donations to help support the staff and programs at the EcoCenter. Additionally, TBIAF has not yet identified retail items that might be sold at the EcoCenter, but may propose items in the future.

**Operations and Program Plan
for the Heron's Head Park EcoCenter**

**Appendix A
APRI MOU**

Memorandum of Understanding

I. Overview:

This Memorandum of Understanding (MOU) sets forth an agreement between The Bay Institute Aquarium Foundation (TBIAF) and A. Philip Randolph Institute San Francisco (APRI). If the Port of San Francisco accepts the proposal (see attached) from TBIAF to become the tenant of the EcoCenter at Heron's Head Park, TBIAF and APRI will work together on the terms outlined in this MOU. This MOU is subject to modification based on any legal review or changes agreed upon by both parties, both of which will work to maintain the spirit of this agreement and collaboration.

II. Purpose:

This MOU establishes terms for collaboration between TBIAF and APRI towards a goal for the Heron's Head Park EcoCenter to become a treasured resource for BVHP and an epicenter for environmental education, social justice, place-based learning, and green career development for San Francisco and beyond. This collaboration will explore and promote shared interests, which can be pursued through a variety of initiatives including but not limited to public outreach, educational programs, community enrichment activities, and volunteer programs.

Before any specific future collaboration is initiated or implemented, both parties may develop separate written agreements that will outline financial commitments (if any) and the terms to govern the collaboration. Where applicable, these agreements will reference the terms of this MOU. These separate written agreements may include but are not limited to contracts, grant proposals, and programmatic/community outreach agreements between The Bay Institute Aquarium Foundation and the A. Philip Randolph Institute San Francisco. The terms and conditions of any separate written agreements will be in accordance with applicable federal laws and regulations.

III. Description of Responsibilities/Scope of Work:

TBIAF specifically agrees to:

- Hold lease agreement for EcoCenter with Port of San Francisco and assume all financial and administrative responsibility for the EcoCenter;
- Provide adequate staff for the terms of the lease and needs of the community as new programs and initiatives develop (funding dependant);
- Co-chair the Community Advisory Committee with APRI (described further in Section IV);
- Plan and execute a minimum of 4 Community Advisory Committee meetings each year;
- Offer and coordinate use of the EcoCenter to any community/environmental organization, free of charge, outside the EcoCenter's operating hours for meetings, programs, and events;
- Encourage and allow community/environmental organization staff or participants to participate in programming and events;
- Provide EcoCenter space and staff time to collaborate on the execution of APRI's after-school program for youth focused on internship opportunities and job readiness, with specific emphasis on environmental education and green careers including but not limited to habitat restoration, renewable energy, wastewater treatment, and native landscaping;
- Work to provide funding for any future program growth; and
- Incorporate APRI's logo onto any future collaborative program specific collateral.

APRI specifically agrees to:

- Co-chair the Community Advisory Committee with TBIAF (described further in Section IV);
- Provide a representative to attend the minimum 4 Community Advisory Committee meetings annually;
- Communicate to APRI's members, audiences, and participants to programming occurring at the EcoCenter, including bringing community members to the EcoCenter for programming (students, community members, etc).
- Coordinate APRI's use of the EcoCenter, outside of the EcoCenter's operating hours, through EcoCenter staff with 3 weeks advance notice in writing, based on availability. EcoCenter staff will work with APRI on all logistics related to facility use;
- Provide staff time and community outreach to collaborate on the execution of APRI's after-school program for youth focused on internship opportunities and job readiness, with specific emphasis on environmental education and green careers including but not limited to habitat restoration, renewable energy, wastewater treatment, and native landscaping;
- Contribute to efforts to develop new educational programs, engage the local community about EcoCenter program offerings, and work collaboratively on program funding ; and
- Provide logo for use on any future collaborative program specific collateral.

IV. Description and Scope of Work related to the Community Advisory Committee

In order to achieve the goal of the EcoCenter stated in Section II, TBIAF and APRI will develop and implement a Community Advisory Committee (CAC) made up of BVHP community organizations and relevant environmental/education organizations. The purpose of the CAC is to have clear communication between TBIAF, APRI and the community to ensure the BVHP community is engaged as a stakeholder, future EcoCenter programming, use of the EcoCenter, communication and outreach to the community about the EcoCenter, and potential funding opportunities.

As stated in Section III, designated representatives from both parties will co-chair the Community Advisory Committee. The co-chairs and organizations they represent will collaborate to lead this committee in the following manner:

- Define and develop the CAC starting Day 1 at the EcoCenter including developing committee goals and objectives, defining meeting schedule, etc. Please note: in the original TBIAF EcoCenter proposal, this committee was called the Program Advisory Committee (PAC) and had an initial description – including a meeting schedule of minimum 4 meetings per year. The co-chairs of the newly developed CAC will take this initial description under advisement and may change or update what was described in the proposal based on the needs of the community;
- Define the number of committee seats, define representation for each seat, ensure representation for each seat and develop sub-committees as needed;
- Coordinate and execute CAC meetings, including but not limited to developing meeting agendas, communicating to CAC members about meetings, acting as secretary for meeting minutes, and reporting back to EcoCenter and TBIAF staff about CAC recommendations and next steps;
- Work with EcoCenter staff, TBIAF staff and CAC organizations to secure funding for the new Community Relations/Outreach positions listed in the EcoCenter proposal budget. Once funding is secured for these positions, the co-chairs will lead the hiring process for these new staff; and
- Work with EcoCenter staff, TBIAF staff and CAC organizations (when needed) on future programmatic ideas and funding/resource allocation.

V. Administrative and Fiscal Responsibility:

TBIAF is responsible for all administrative and fiscal responsibility for the EcoCenter. Additionally, the lease for the EcoCenter will be held by TBIAF with the Port of San Francisco.

VI. Duration of MOU:

This MOU will become effective upon TBIAF entering the lease for the EcoCenter with the Port of San Francisco and with acceptance by all parties with the terms outlined in the MOU. The MOU will last for the duration of five (5) years as outlined in the lease agreement. During the duration of the MOU, it may be changed by a common written consent by both organizations.

VII. Termination of MOU:

This Memorandum of Understanding shall remain in effect until terminated by either party via a 60-day advance written notice by either party.

VIII. Organizational Liaisons

For the terms of this MOU, the following individuals are identified as the representatives from each organization:

Jacqueline Flin
Executive Director
A. Philip Randolph Institute San Francisco
1301 Evans Avenue
San Francisco, CA 94124
415-821-4777
jackie@aprisf.org

Carrie Chen
Director of Education & Conservation
The Bay Institute Aquarium Foundation
Embarcadero at Beach Street / PIER 39
San Francisco, CA 94133
415-623-5335
carrie@bay.org

Approved and Accepted by:

The Bay Institute Aquarium Foundation
CEO/Executive Director
John Frawley

Signature

Date

A. Philip Randolph Institute San Francisco
Executive Director
Jacqueline Flin

Signature

Date

**Operations and Program Plan
for the Heron's Head Park EcoCenter**

**Appendix B
CCSF MOU**



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Engineering and Technology Department

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MEMORANDUM OF UNDERSTANDING

This memorandum of understanding (MOU) sets forth an agreement between the Aquarium of the Bay (AOTB) and several academic departments at City College of San Francisco (CCSF), including Engineering & Technology and Child Development. If the Port of San Francisco accepts Aquarium of the Bay's proposal to be the tenant of the EcoCenter at Heron's Head Park, the Department Chairs will seek formal administrative approval of this MOU. This MOU is subject to modification based on a full administrative and legal review, but the Department Chairs will work to maintain the spirit of this agreement and collaboration.

I. Purpose

The purpose of the MOU is to engage in a collaborative and interdisciplinary partnership for stewardship of the EcoCenter at Heron's Head Park. Overall goals for the partnership include establishing an ongoing educational presence and showcasing the facility and the surrounding natural area as valuable environmental resources and examples of sustainability in the urban environment. Through the partnership, we will develop curriculum, deliver high quality programming, and provide for continued operations, maintenance, and monitoring of the EcoCenter through undergraduate research and workforce development opportunities.

Specific goals and learning outcomes that can be accomplished by collaborative stewardship of the EcoCenter include:

1. Providing college students enrolled in work experience/internship classes such as Sustainability 91, Applied Research in Sustainability, an opportunity to work at the EcoCenter where numerous sustainability related systems have been designed, built, and maintained.
2. An opportunity for CCSF students to engage in undergraduate research and support operations, maintenance, restoration, and educational activities at the EcoCenter and Heron's Head Park.
3. An opportunity for AOTB and CCSF faculty and student interns to develop environmental education curriculum for all levels, child through adult including the production of multi-purposed modularized educational videos, lesson plans, interpretative materials for visitors, and continued development of the existing website.
4. An opportunity for AOTB and CCSF to experiment with innovative educational delivery models suitable for all types of students ranging from youth to adult. These models can include place based education and workforce training opportunities related to the sustainable systems at the EcoCenter.

The cornerstone of the partnership between AOTB and CCSF are work experience courses that provide students with place based opportunities to apply acquired academic knowledge and skills in environmental science and sustainability education. Under supervision of EcoCenter staff, each student will assist with the operations, maintenance, research, educational and other objectives of the facility and Heron's Head Park according to their backgrounds, skill levels, and interests.

It is expressly agreed that both AOTB and CCSF intend to be bound by the following terms:

II. Description of Responsibilities

AOTB specifically agrees to:

1. Select needed projects, activities, and work duties. Together with CCSF faculty, AOTB will also provide guidance for students to participate in and complete these projects.



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Engineering and Technology Department

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2. Provide access to the EcoCenter on mutually agreed upon days of the week.
3. Be in communication with CCSF faculty at least once per month.
4. Provide an orientation to introduce students to the EcoCenter, its history and mission, programs, and stewardship needs.
5. Attend the students' end of semester presentation of learning.
6. Provide guidance and feedback on curriculum development including website content development and educational video production.
7. Supervise and coordinate pilot trials of curriculum on school groups.
8. Train students as docents and tour guides.
9. Train students to assist with supervision of volunteers on large scale work days in the landscape and restoration projects.
10. Provide space for the storage of CCSF supplies and equipment brought to the EcoCenter to support continued operations, maintenance, monitoring and research of the facility's sustainable systems.

CCSF specifically agrees to:

1. Continue to fund work experience course(s) for students at the EcoCenter, as has been standard practice in the Engineering and Technology department for 2 years. Students will be recruited primarily through the Sustainability Certificate Program and Applied Research in Sustainability work experience course. Students will also be recruited from throughout the School of Science, the STEM teacher training program in the Child Development and Family Studies Department, and the Evans Campus.
2. The Engineering and Technology Department will continue to provide laboratory services such as autoclaving and biohazard waste disposal and basic laboratory supplies such as distilled, deionized and sterile waters and lab ware. In addition, the department will replenish supplies, as funds permit.
3. The Engineering and Technology Department will work with other departments to promote utilization of the EcoCenter as a living learning lab in sustainability. For example:
 1. The Child Development and Family Studies Department will provide at least one student teacher internship at the EcoCenter each year, as grant funds permit.
 2. The Child Development and Family Studies Department will offer two workshops for teachers and future teachers at the EcoCenter in partnership with our STEM Teacher Conference, as grant funds permit.
 3. Students and faculty from our CDEV 106 Science for Young Children will offer field trips to the facility and will work with EcoCenter and AOTB staff to further develop environmental science and sustainability curriculum.
 4. Students and faculty from Earth Science and GEOL 30L Environmental Geology will assist with mapping vegetation and digitizing the vegetation cover into a GIS format at Heron's Head Park.
 5. Faculty from the Evans campus will offer field trips and hold class sessions for courses related to renewable energy and green building at the EcoCenter.
4. Faculty will work with AOTB on the selection of projects and assignment of work duties for student interns at the EcoCenter.



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5. Partner in future grant applications. However, any grant involving CCSF must proceed through the CCSF vetting process.

III. Administrative and Fiscal Responsibility

AOTB and CCSF agree that AOTB is responsible for project coordination and for coordinating administrative and fiscal work.

IV. Term

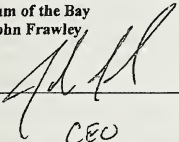
The term of this MOU shall begin on January 1, 2014 and end on December 31, 2018.

V. Termination

This Memorandum of Understanding shall remain in effect until terminated by either party via a 90-day advanced written notice to the other party.

ACCEPTED AND AGREED TO BY:

Aquarium of the Bay
CEO, John Frawley

By: 

Title: CEO

Date: 11/6/13

City College of San Francisco
Chair of Engineering & Technology Dept
Hitesh Soneji

By: 

Title: Chair of Engineering + Technology

Date: Nov 6, 2013

Aquarium of the Bay
Director of Education & Conservation
Carrie Chen

By: 

Title: Director of Education & Conservation

Date: 11/7/13

City College of San Francisco
Chair of Child Development and Family Studies
Kathleen White

By: 

Title: Chair of Child Dev. & Fam. St.
TRIP

Date: Nov 6, 2013

EXHIBIT E

MAINTENANCE OBLIGATIONS

Tenant Maintenance Obligations. The following lists the essential components of the Tenant's operations and maintenance responsibilities. Within 30 days of the Commencement Date of the Lease, Port and Tenant will establish and maintain a written building-specific plan with additional detail and schedule for performing the following:

Tenant must

A. Waste Water Treatment System (WWTS)

- Note in writing each day that the EcoCenter facility is staffed, but no less than 4 days/week, any leaks, alarms or overflows in any of the tanks, sumps, piping or constructed wetland, or other evidence of malfunctions in accordance with Operations + Maintenance Guidelines for the On-Site Wastewater Treatment System and Notes on the Drip Tank Well. If any leaks, alarms, overflows or other evidence of malfunction are observed, Tenant must contact the Port Property Manager.
- Measure pH of water in Pre-UV, post-UV tanks weekly. If pH is too low (<6), add baking soda to the recirculating tank as-needed.
- Perform routine inspection, cleaning, and care for vegetation in accordance with Operations + Maintenance Guidelines for the On-Site Wastewater Treatment System and Guidelines for Biological Monitoring of the Wetland Area.

B. Solar Energy

- Check and record data from energy system monitoring software for percent state of charge on batteries, energy production, and energy consumption of the electrical system in the solar room. Note: the solar power system has software that enables this to be monitored remotely. If percent state of charge drops below 50%, Tenant must turn off WWTS, lights, and other electricity users until batteries can recharge.
- Advise and train Port to purchase and use remote-monitoring software per ("WattPlot Pro User's Guide").

C. Rainwater Harvesting

- Check and record observation of the rainwater harvesting tanks for leaks weekly. If an issue is found, Tenant must contact the Port Property Manager.

D. Living Roof

- Check irrigation valves on the days that irrigation pumps will be on (generally 3 days/week during dry season) to make sure they are in the necessary positions (see Rainwater Tank Valves: Steps for Use of Rainwater from Tank 1 for Irrigation).

* Items marked with an asterisk indicate activities that the Port may hire a specialty contractor to perform; staffing and contracting will be determined by the Port.

II. PORT MAINTENANCE OBLIGATIONS

Port must:

A. Waste Water Treatment System

- Test the methane monitor in the WWTS room per Operations, Maintenance and Monitoring Manual for the Methane Mitigation System.
- Collect samples from the wastewater treatment system for analysis at a certified environmental laboratory per Appendix C of Operation and Maintenance Guidelines for the On-Site Wastewater Treatment System*.
- Compile data from weekly environmental laboratory testing with activities (# of events and/or # of people) and water usage (measured by software on the wastewater treatment system). Prepare and submit monthly and year-end reports to the San Francisco Department of Public Health describing and interpreting these findings. Reports must be prepared and submitted by a qualified operator or engineer (subject to DPH approval)*.
- Provide quarterly and annual service of the wastewater treatment system using a Department of Public Health-approved wastewater treatment professional*. Quarterly service shall be performed in accordance with Operations + Maintenance Guidelines for the On-Site Wastewater Treatment System and On-Site Wastewater Treatment and Dispersal Construction Documents. Quarterly service shall include:
 - Open all access lids and visually inspect gas tight seals
 - Inspect lift pump station for solids buildup and proper function.
 - Visually inspect all tanks and piping for leaks or perforations.
 - Check scum and sludge layers in primary tank.
 - Clean effluent filter in outlet of primary tank.
 - Open Advantex textile filter (in the Recirculation Tank) and inspect for proper bacteria growth. Jet washes if necessary.
 - Flush filter piping and inspect perforations for proper dispersal over filter media.
 - Flush recirculating flow inducer filter.
 - Test all pumps for proper performance.
 - Test all water level sensing float switches for proper performance.
 - Check ultraviolet light for proper function.
 - Inspect discharge tank for proper water levels.
 - Clean discharge flow inducer filter.
 - Visually inspect engineered wetlands for leaks or backups.
 - Disassemble disk filter and clean.
 - Visually inspect drip disposal field for uneven moisture, surfacing water, plant growth, excavations, and erosion.
 - Check PSI of disposal field at air relief valves to ensure proper function of emitters.
 - Visually inspect monitoring wells for signs of high water table.
 - Run test mode in control panel to ensure proper function of panel
 - Test manual toggle switches to turn on pumps

- Test audible and visual alarm

Annual service shall include inspection and cleaning of UV disinfection system. Sludge from settling tank will be removed every 3-5 years depending on rate of accumulation.

- Inspect and maintain the Drip Irrigation-Disposal Field quarterly per Attachment C of the Operations and Maintenance Guidelines for the On-Site Wastewater-Treatment System (Drip Irrigation-Disposal System Manual) and On-Site Wastewater Treatment and Dispersal Construction Documents.^{*} This includes:
 - Clean the filter cartridge
 - Open the field flush valve and flush the field for 3-5 minutes by activating the pump in “manual” position
 - Check the pressure in the drip field by using a pressure gauge on the Schrader valve located on the air vents and by reading the pressure gauge located in the Wasteflow Headworks box. MUST be done with pump in “manual” position.
 - Remove the lids on the vacuum breaker and check for proper operation
 - Turn off the pump and reset the controller for auto mode
 - Periodically remove and clean the air vents, field flush and filter flush valves
 - Inspect treatment and distribution tanks routinely in accordance with approvals
 - Record the elapsed time meter, pump counter, override counter, high-level alarm and power failures. This information can be obtained from the controller.

B. Solar Energy

- Check water levels monthly in each cell of the 16 batteries and add distilled water as needed per Battery Water Levels Maintenance Log.
- Perform monthly equalization on the battery storage system per Battery Equalization Standard Operating Procedure.
- Inspect and wash the solar PV panels quarterly or as-needed per PV Cleaning Instructions.

C. Rainwater Harvesting

- Measure turbidity, temperature, dissolved oxygen and pH of water in rainwater harvesting tanks quarterly.
- Remove and rinse the sediment saver bags in the rainwater harvesting tanks annually.
- Empty the rainwater harvesting tanks and rinse annually.
- Perform the above-listed tasks per Rainwater Catchment Operation Manual and Construction Documents.
- Check the Drain Field and surrounding landscaping weekly for any indication of breaks in the irrigation lines. If an issue is found, contact the Port Property Manager as soon as possible.

D. Living Roof

- Monitor and maintain the living roof monthly per Living Roof Operation and Maintenance Manual: make sure plants are adequately watered, prune, weed, deadhead; check irrigation lines for clogs, fertilize as needed.



SAN FRANCISCO PORT COMMISSION

**FEBRUARY 25, 2014
MINUTES OF THE MEETING**

GOVERNMENT
DOCUMENTS DEPT

MAR - 7 2014

MEMBERS, PORT COMMISSION
HON. LESLIE KATZ, PRESIDENT
HON. WILLIE ADAMS, VICE PRESIDENT
HON. KIMBERLY BRANDON
HON. MEL MURPHY
HON. DOREEN WOO HO

SAN FRANCISCO
PUBLIC LIBRARY

MONIQUE MOYER, EXECUTIVE DIRECTOR
AMY QUESADA, COMMISSION SECRETARY

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING FEBRUARY 25, 2014

1. CALL TO ORDER / ROLL CALL

Commission President Leslie Katz called the meeting to order at 3:17 p.m. The following Commissioners were present: Leslie Katz, Willie Adams, Kimberly Brandon, Mel Murphy and Doreen Woo Ho.

2. APPROVAL OF MINUTES – February 11, 2014

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion.

Commissioner Woo Ho - There's one correction on page 6 of the minutes. It refers to some comments that I made and it says "crude accounting." I think it meant to say "accrual accounting."

Monique Moyer - Good catch Commissioner. We will make that change.

ACTION: Commissioner Woo Ho moved approval as amended; Commissioner Adams seconded the motion. All of the Commissioners were in favor; the minutes of the February 11, 2014 meeting were adopted as amended.

3. PLEDGE OF ALLEGIANCE

4. ANNOUNCEMENTS – The Port Commission Secretary announced the following:

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

5. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Corinne Woods - I'm here with a request that the 15 year review of the Waterfront Land Use Plan which was technically due last year, be expedited and prioritized so that it's available to the public preferably before the June 3rd primary election. It's

important that the public understand the achievements of the Port for the last five years since the last review and it's important to understand the challenges you face and the opportunities that are possibly ahead of you. I hope that staff can fit it in with all the other things they've got going because I think that you need to show how you've achieved a lot this last five years and how important and how relevant the Waterfront Land Use Plan is to the Port and to the City.

6. EXECUTIVE

A. Executive Director's Report

- Mayor Edwin Lee's Executive Directive on Water Conservation

Monique Moyer - I wanted to point out our lovely new monitors, you probably can't see them but for the benefit of the folks in the room, we should have a little bit more clarity in our public presentations and also it looks like the cameras zoom in a lot closer on Amy's and my faces which we'll have to remedy pretty quickly and Eileen's a little bit. I'm very pleased about that and Equity Office Partners also got new chairs, so we've had a little bit of freshening in the Commission Room and my thanks to everyone involved in that.

The first item on my report is to discuss Mayor Edwin Lee's Executive Directive on Water Conservation. In the wake of Governor Jerry Brown's declaration of the statewide emergency related to the drought, Mayor Ed Lee issued an Executive Directive to City Departments on February 10, 2014. It's important to review a couple of the attributes of that Executive Directive. There are five that I'd like to mention.

Mayor Lee has directed: All departments to further reduce consumption of water by 10%. All departments are to develop a water conservation plan by August 1, 2014. All departments are to educate staff and visitors on water conservation practices. All departments are to explore the use of non-potable water for street cleaning. All departments are to develop alternative sources of water supply working with the San Francisco Public Utilities Commission.

Since the directive was issued on February 10, 2014 Port staff have undertaken a number of measures so far. First and foremost, we've established a Water Conservation Task Force within all of the multi-divisions of the Port so we cannot only brainstorm good ideas but also get them executed.

Secondly, we are in the process of conducting an assessment of our water use by Port operations and to make sure that we can identify opportunities for new efficiencies. We've posted water conservation notices in adherence to the directive at all of the Port's offices, at Pier 1, Pier 50, our South Beach Harbor and Fisherman's Wharf Harbor as well as sent out notifications to our tenants.

We've rolled out a new car washing plan. Car washers typically use recycled water but we are going to reduce the washing of our vehicles so if they look a little dirty to you, they probably are. We rolled out our new street cleaning, sidewalk cleaning plan and today we actually had one of our new machines which cleans the sidewalk but collects the water and reuses it, so we're not wasting as much water as we have in the past.

We're looking at upgrading some of our wash racks to a recycled system. We're looking at low flow fixtures. We're looking at different ways to irrigate Port landscaping and we're talking to some of our largest tenants, such as Darling Delaware, B.A.E. Ship Repair, Pier 39 and others about how to conserve water.

We've explored, not rather successfully, the idea that potentially cruise ships could fill up their water outside of California, preferably in the Northwest. Unfortunately, by the time they travel to San Francisco they're in need of water again so that's probably not going to be a viable conservation measure.

We explored the possibility of metering and charging water supply to fishing vessels. That turned out to be not workable given the transient nature of the fleet. We are looking for other types of things. We'll be working on this in the coming months. The public will notice some of our conservation efforts almost immediately and we'll be reporting back to the Commission as we develop the plan in accordance with the Mayor's Directive.

- San Francisco Tsunami 2014 Exercise – February 11, 2014

The Port is participating in a city-wide series of tsunami training sessions that are going to culminate in an actual tsunami exercise in late March. We have been working on different attributes of a tsunami seminar. On February 11, 2014 we hosted a tsunami seminar with local, state and federal agencies such as FEMA, the Coast Guard, the California Geological Survey and many of the City first responders to figure out what a tsunami looks like.

Since the entirety of the Port lays in an inundation area for a tsunami, most of the exercise is focusing on Port properties. Next week there will be a tabletop exercise which is where participants come together to discuss scenarios and what outcomes they may make. At the end of the month, on March 26 through 28, 2014 there will be a three day functional exercise and the City's Emergency Operation Center will be opened and we'll go through the drills of the tsunami alert, the tsunami warning period, the tsunami response and then the return to operations.

Port staff will be participating in various roles. Certain of the staff will be posted at the Emergency Operations Center. I will be participating in the "Policy Group" which is a group that the Mayor convenes of City department

heads and advisors to give direction to various City staff. We'd like to include all of you as we would if it was a real world event in terms of the notifications.

If it's all right with you, we'll be notifying you as the event unfolds as we would as if it were real. Within that notification, you would be able to provide us any strategic direction or just find out what we're doing or plug in to the Joint Communications Information Center which is where information usually comes out of in an emergency. Our PIO Renee Martin would participate in that, for example. Towards the end of March, I'll try to give you another reminder, you'll be getting a tsunami call. If you don't want to participate, please let me know. We needed to test our ability to reach out to the Commissioners and make sure that you're in our notification loops. I'd like to thank Sidonie Sansom, Director of Homeland Security for the Port, who's doing the bulk of the work on this and it's really wonderful. The City exercises something large once a year and we're pleased that again, it's based on the Port's operations and recovery. We're happy about that.

- Black Maritime Heritage Festival – February 21, 2014 at Pier 1

We were honored to host a Black Maritime History Festival on February 21, 2014. During the early part of the month we've been able to showcase some exhibitions of the African-American Freedom Trail. There are some wonderful banners hanging in Pier 1 through the end of the month. It's a four panel exhibition that depicts the trail that generations of black pioneers experienced since the 1700s when they came upon the shore of San Francisco Bay.

This trail is the result of several scholarly conferences and it's sponsored by the National Park Service, the African-American Freedom Trail, the San Francisco Travel, Pier 39, Blue and Gold Fleet, Parks SFO, and Fairmont Hotels and many others. If you haven't had a chance to see the exhibition, it's hanging in the Pier 1 lobby and I encourage you to see it.

On February 21, 2014 we hosted the Black Maritime Heritage Festival. It was kicked off by the Honorable Malia Cohen, Supervisor of District 10, who gave welcoming remarks. John William Templeton, a historian, provided an overview of the black maritime experience which outlined the contributions by many black Americans to California's rich maritime history such as William Alexander Leidesdorff during the pre-gold rush era.

It ended in a march to the new statue of Captain Leidesdorff, which was erected by Clinton Reilly Holdings at Leidesdorff and Pine Streets in the Financial District. We're very pleased to have been chosen as the location for the Festival and we hope it's something that we can continue going forward.

- San Francisco Summer Resource Fair – March 8, 2014 at Balboa High School, 1000 Cayuga Avenue, San Francisco, from 10 a.m. to 2 p.m.

I've also been asked by the Department of Recreation and Parks to announce that their San Francisco Summer Resource Fair will be on March 8, 2014 at Balboa High School from 10:00 AM in the morning until 2:00 PM. There will be 160 exhibitions at the school. This is the annual resource fair where they put out all of their opportunities for children and families for the summer such camps or summer programs or recreational programs.

- Sunday Streets on The Embarcadero between Fisherman's Wharf and Mission Bay – March 9, 2014 from 11 a.m. to 4 p.m.

This marks the sixth year of Sunday Streets which opened in 2008. So far there have been 44 Sunday Streets events covering 133 miles. The first Sunday Streets of 2014 will be held on Sunday, March 9, 2014 between 11:00 AM and 4:00 PM. It will run along the Embarcadero from Fisherman's Wharf at Powell Street all the way down through King Street and onto Third and Terry Francois through Mission Bay so it ends pretty much just at the southern point of Seawall Lot 337.

As usual, there'll be a ton of activities along the Embarcadero. People will be encouraged to walk, run, bike, whatever they like except use their car on the Embarcadero on Sunday, March 9, 2014. The next Sunday Streets will be on May 4, 2014 and that will connect the Dogpatch and Bay View neighborhoods. I'll provide more information as we get closer.

- San Francisco Port is *Cruise Travel's* Port of the Month

We just found out that the San Francisco Port is *Cruise Travel's* Port of the Month for its March and April 2014 Edition. It's a really great four page article which is lauding the various sites within San Francisco and especially those within a one-mile radius of the Port's Cruise Terminals. It advises readers that, "Nearly every major cruise line plying the West Coast has cruises that call on San Francisco," and then lists out all 12 of them. It's a really nice piece that encourages cruise passengers to call upon San Francisco. We're very pleased about that and my kudos to Mike Nerney and the Maritime Team for making it happen for us.

The cover of the magazine shows a beautiful picture of one of the cruise ships under the Golden Gate Bridge. It doesn't get much better than that.

- Bayview Rise Ribbon Cutting – February 26, 2014

On February 26, 2014 at 5:30 PM we will be cutting the ribbon on Bayview Rise, the new art feature at the Grain Silos at Pier 92. It is supposed to rain but it's going to be a wonderful ribbon-cutting nonetheless. The lights will be on despite of the rain, snow, sleet, etc. It would be terrific if you can join us tomorrow at 5:30. If you can't, please keep a lookout. The lights will be on most evenings from sunset to sunrise. It should be really cool.

Commissioner Katz - For those attending, there will be a tent, right?

Monique Moyer - Yes, for those attending, there'll be shelter. Renee never does a bad job on these things so we'll be all well taken care of. It'll be a treat for those of us that can attend.

- San Francisco History Expo

On March 1 and 2, 2014, the San Francisco History Expo is being held at The Old Mint. This is a weekend expo that showcases 60 diverse Bay Area historical and cultural organizations. This year, we are proud to know that the Bethlehem Shipyard Museum will be featured as one of the exhibitors at the San Francisco History Expo. The Bethlehem Shipyard Museum is a newly underway museum which is preserving the history of industrialization of the San Francisco Bay Area from 1849 to the present. They've showcased things like the building of the bridges but also the building of the shipyard and all the ships that were built in the Bay including in Richmond and other industrialization like that. They've been given an opportunity to tell their story and exhibit their artifacts on March 1 and 2, 2014 at The Old Mint. Hopefully, we'll all get a chance to see that as well.

B. Commissioners' Report

Commissioner Katz - I have some exciting news to report back. This past week in Sacramento, the Port of San Francisco recently won the California Maritime Leadership Symposium 2014 Honoree of Merit. We started off the symposium with a Commissioner's lunch and the Port of San Francisco hosted the lunch and the Director of the Governor's Office of Business and Economic Development, Kish Rajan, was the keynote speaker. We were joined by representatives and/or commissioners from every port in the state of California -- Oakland, Stockton, Redwood City, San Diego, Long Beach, Hueneme and Los Angeles and not in any particular order.

Port staff joined us as well, Peter Dailey, Jay Ach, Jim Maloney, Mike Nerney, Jerry Roybal and Commissioner Adams was there as well and also included several members of ILWU at the Commissioners' Lunch which was also significant for everyone to break bread together. The symposium was the best attended ever. There were terrific presentations throughout the day.

One of the keynote addresses was from Leslie Blakely, the Executive Director for America's Gateways and Trade Corridors. We had members of the Consular Corps presenting and a variety of others. That evening the Port of San Francisco received our award at a reception that included members of the state legislature and many of their staff.

The Port of San Francisco gave an award as well as being the recipients. We gave an award to Norman Fassler-Katz who is the Founder of the Maritime

Leadership Symposium. He is stepping down from that and we were able to honor him for all of his great work on behalf of the Ports of California. It was a wonderful symposium and very much appreciated that they gave the award to the Port of San Francisco.

Commissioner Adams - I also attended the symposium with President Katz. She did an excellent job representing the Port of San Francisco at the luncheon and also at the reception that we were honored at. I also had an opportunity to meet with the new Speaker of the California Assembly, Toni Atkins of San Diego. She's the first openly gay woman Speaker of the Assembly. A lot of time you assume that politicians have been to the Port and she represents the Port of San Diego. She's never even been to a Port before.

She said, "Willie, it's amazing that a lot of times, politicians represent things they know nothing about and they have to depend on their staff." So I invited her to the Port of San Francisco. She accepted and she said she'd like to come here and do the Port of San Francisco and do a tour. She was engaged and she says, "Willie, I'm open as the new Speaker of the Assembly because I want to learn more. I can only do so much on the state level with the work I do with the federal level but I'm really concerned about the ports and transportation in California." I also told her that we can set up a tour for her in the Port of San Diego. It was good to build relationships with politicians from the ground floor up and to also to educate them as we educate ourselves.

Also the guy that spoke from the Governor's Office, I had made mention to him that it's good that the Governor had went to China, but I told him, "How can you go to China? You never take Labor with you?" I told that, "We load, and unload these ships. We know just as much about infrastructure and transportation as the people in business and we're the ones that make the Ports flow, handling the cargo in and out of the ports. You've got to remember, close to a trillion dollars goes through these 29 West Coast Ports, and the union is the life blood. We're the spark plug that makes that happen. When you take a delegation to China, you not only take business people and bureaucrats, but you take working class labor people like my union, the ILWU that understands this. We've been doing this for like 78 years, so we kind of understand it"

Monique Moyer - Commissioner, did you also want to mention your evening at the YMCA?

Commissioner Adams - I was invited by Commissioner Brandon. She's a very humble lady. She and the Chief of Police of San Francisco were honored by the Bayview YMCA. It was an honor to go to the Bayview YMCA to see the work that Commissioner Brandon has done in the community. It's her life work. She not only talks the talk but she walks the walk. Timothy was also there beside her. He does a lot of work. Our union made a donation for the kids. There was a guy there from the Golden State Warriors and he was from Nigeria. His parents were there and I just found it really good that he along with Commissioner Brandon and others were honored for their work to the community. These are the people

that I consider unsung heroes that don't want any publicity but they're out there every day, rolling up their sleeves. Some people just show up at press conferences and make comments, Kimberly's actually out there working every day, doing something and enriching the lives of the kids in the Bayview and making that area a better neighborhood. I want to commend her. Thank you for all your hard work.

Commissioner Brandon - Thank you.

Commissioner Katz – A very well-deserved honor.

Commissioner Brandon - Thank you. I wanted to say that I am really looking forward to Bayview Rise tomorrow. It's an exciting art project and it's one of many that will be coming to the southeast sector of the City and I'm just really excited about it. Hopefully everybody can come out.

Commissioner Murphy - I haven't been invited to anything in the last couple of weeks that I'd want to report on but I'll keep my comments for a further meeting.

Commissioner Woo Ho - I think everything's been said. I want to commend Commissioner Brandon and thank Willie and Leslie Katz for their comments.

Commissioner Katz - On behalf of all the Commissioners, we wish our CFO Elaine Forbes a speedy recovery from her rather serious run-in with a horse. Hopefully she will mend rapidly.

Commissioner Katz - I have one last item that Commissioner Adams reminded me of. We were invited to a plaque exchange ceremony aboard AZAMARA Quest on February 13, 2014. It was AZAMARA's maiden call to San Francisco. I want to thank Peter Dailey and Mike Nerney and others who arranged the terrific event with the Port of San Francisco and the cruise ship. The Captain fell in love with San Francisco all over again. He hadn't been here in many years and it was a wonderful opportunity to showcase our City and the Port. We were glad to have them in San Francisco for the first time.

7. REAL ESTATE

- A. Informational presentation for a limited Request for Proposals (RFP) for a retail space located at Pier 33 North (33½), on the Embarcadero at the foot of Bay Street which would be issued competitively on a target basis to those small businesses currently working with San Francisco community-based organizations.

Susan Reynolds, Deputy Director for Real Estate - My informational presentation today proposes a pilot program to expand the Port's Request for Proposal or RFP, opportunities to Local Business Enterprises, LBEs. Historically the Port retail sites that have come up for an RFP have required large capital injection to bring them to a habitable condition and that is a hurdle for most of our LBEs.

The Port is fortunate to have a retail site that has been renovated at Pier 33½ and is a condition that would not require a large capital injection. To assist the Port in helping to identify candidates for this RFP, the Port is proposing to outreach to the City's Community Based Organizations or CBOs, that are in the business of assisting small business to start and grow.

The Port is proposing a pilot program that would distribute this RFP on a targeted basis through the CBOs. The Port will require that the respondents to this retail opportunity be clients of one of the City's CBOs and continue to receive ongoing technical assistance. The CBO will not have any obligation for the lease other than providing the ongoing technical assistance to their client. The Port desires a retail use that serves the northern waterfront visitors, neighbors and local workers. Locally made foods and goods for sale would be ideal.

There are no cooking or venting amenities available in this facility so a full-service restaurant would not be practical here. This is a warm shell which means that the facility is improved to the walls and floors and ready for tenant-funded improvements. There are two spaces available. One is 512 square feet and the other adjacent facility is 1430 square feet. These are open facilities that can accommodate more than one, two and three tenants if they would want to partner together to form a collaboration and they could present something similar to what's downstairs, small kiosks that would sell their goods and services.

The responses to the RFP will be evaluated by a panel that's formed of community members. They're most qualified to help and respond to these applicants that would be interested in responding to the RFP. Leases will be for a term of up to five years and at a market rate for retail which includes a base rent or a percentage rent, whichever's great. Port staff will return to the Commission on April 8, 2014 to seek approval for this concept and move forward with issuing the RFP.

These are the Community Based Organizations (CBOs) that we have outreached to so far. There are others out there that could be included on this list and it is not a closed list. There are many opportunities and many small businesses out there. We're also working with the Office of Small Business and the Small Business Commission that has candidates that would qualify and the Office of Economic and Workforce Development invest in neighborhoods which does a lot of funding to these Community Based Organizations.

Andrea Baker - I'm a community representative. I wanted to thank you for this opportunity to speak in support of this pilot retail program targeted at Local Business Enterprises. I want to acknowledge the Port for its desire and commitment to create a San Francisco waterfront that embraces and reflects the diversity of our city and for staff's thoughtful approach in involving our CBOs that work with small businesses to assist in the outreach for this opportunity and to

provide ongoing financial and operational technical assistance which will ensure the success of their selected participants.

Commissioner Murphy – I think it's a great idea. It's a really nice space. You're not going to need an awful lot of expenses to get up and running. I also think it's reasonably priced. The only other concern that I would have is where are we going to advertise in order to let all San Franciscans know about it?

Susan Reynolds - Our first goal is to outreach to the CBOs because we want this opportunity to be successful. We are advertising through the CBOs so that their client base would get the ongoing technical assistance so that we have a successful opportunity.

Monique Moyer - But we could make it broader, if that's your direction.

Commissioner Woo Ho - I think you should go both paths. It seems like you could say that if somebody had less experience, they should work with a CBO but if they are qualified as an LBE and have experience, why would we force them to go through a channel that they may or may not need? Since you have a panel that could evaluate this, they would be able to evaluate. Maybe we're assuming that if you go through a CBO it's because you need their help in some way in terms of the ongoing technical assistance but there may be a very qualified LBE that could apply and should be evaluated. I don't see why we would close that door.

Susan Reynolds - We will include that. We have a network of publications that go out to small business entities and also public newspapers, so we will include all of those in our distribution of the RFP.

Commissioner Woo Ho - If you do the public newspaper in some of the minority communities, can you also include the ethnic language newspapers so they receive it in their language so it isn't just the Chronicle or the San Francisco Business Times which only has a certain readership?

Susan Reynolds - There are quite a list of ethnic newspapers in multiple languages that is within the network that we outreach to so we will make sure that we include all of them.

Commissioner Woo Ho - I would suggest that even Renee perhaps consider sending out a press release so that people are aware, even if they're not applicants. We're trying to create some good will in the community and the community should know about it.

Commissioner Murphy - I assume the bathrooms are ADA compliant?

Susan Reynolds – Yes, this facility was recently renovated. Unfortunately we had a tenant in there that had made a lot of improvements that weren't up to code. The Port with the help of bond funding went in and renovated and our

Project Manager was Wendy Proctor and she made sure that everything was both accessible and up to code.

Commissioner Woo Ho - You mentioned that the base rent is \$2.50 per square foot, is that the current market parameter that we have for this kind of retail space?

Susan Reynolds - For that facility yes. The base rent would increase by 3% annually so it would be priced at the base rent of \$2.50 a square foot or 7% of gross retail sales, whichever is greater. That is our standard for retail spaces.

Commissioner Woo Ho - Who previously occupied the space?

Susan Reynolds - He was an architect. It was not a retail space. There is upstairs offices in this facility which will remain offices and then downstairs we decided, because of its location, that a retail space would be more beneficial to both the neighborhood and to the Port.

Commissioner Woo Ho - What if a non-profit approached us knowing what the rent was and everything?

Susan Reynolds – We have designated this as retail and if they were a non-profit that had retail services, then they certainly could be considered.

Monique Moyer - We're here to get your feedback and Susan didn't say "yes" or "no," but the proposal we have in front of you was for a retail opportunity for San Franciscans who otherwise are priced out of participating at the Port because of the intensive capital outlay. But if your direction is to broaden that, we're here to get all your comments today.

Commissioner Katz - I was actually going to say that I like the goal of reaching out to businesses, as you pointed out, that don't always have the necessary capital to come in. I would want to at least see a mix, if we do outreach and include other LBEs in the city, I do want to make sure that we have a mix of those that are working with some of the CBOs because part of the goal was to expand upon the work that the CBOs are doing in terms of training and providing those resources to a lot of those local businesses. It would be helpful if we could figure out a way for the selection panel to have some guidelines of having a mix at the very least so we do reach that goal of supporting some of the businesses that are in training and that don't always have these opportunities to move into our facilities.

Commissioner Brandon - How are we defining LBE?

Susan Reynolds - The City has a definition of Local Business Enterprises and the size of the business which is usually a smaller business, it's not a chain.

Monique Moyer - It's usually based on gross revenues over a three-year period and you have to be domiciled in San Francisco are the two primary criteria. We'll have to find out from the City what their definition is for "retail." I don't personally know it offhand but that's probably an area we need to do a little more work around before we come back to make sure we have a strong definition.

Commissioner Brandon - Are we doing the LBE? Do they have to be certified?

Monique Moyer - That's your guidance. I'm not sure that there is a list of LBE certified retail vendors. Since the City typically certifies LBEs that are in the professional services space rather than the retail space. We'll have to check with the contract monitoring division on that and if not we'll probably recommend to you, "Not certified but need this following definition."

Commissioner Woo Ho - I think we're tangling ourselves up with too narrow a definition.

Commissioner Brandon - I want to thank Susan and her staff for coming up with this opportunity. It's a wonderful opportunity and that we have had a long issue with minorities not being able to be involved on the waterfront. This is a great opportunity to give an LBE a chance to do business with the Port of San Francisco because that has been a long-standing issue. I want to thank you for coming up with this innovative idea.

I agree with my fellow Commissioners that we may need to broaden it a little bit but we still want to stay within the scope of why we were doing it in the first place. I want to thank Andrea Baker for being here because she's just done a phenomenal job throughout the city of working with non-profits and Community Based Organizations and bringing great restaurants to various districts throughout the city. I'm so happy to see you on the panel.

Susan Reynolds - Commissioner Woo Ho to back up your question about a non-profit. The office space upstairs is still available so if you do have any candidates we'd love to talk to them.

Commissioner Woo Ho - I don't have any candidates. What I'm trying to say is this is a pilot program. We haven't done it before and sometimes if you start setting up too many guidelines and rules, you box yourself in. If you let out the general guidance and we'll have to see where the interest is and we can sort of help guide it along. I don't disagree with Commissioner Brandon's comment in terms of what the objective is but sometimes you start strapping yourself in too quickly and we just need to be flexible. I think the keyword is "flexible."

Commissioner Murphy - You do have in the proposal here that if a LBE member or part of the group decides to get out at somewhere along the line, before the lease ends that LBE will be replaced by another LBE.

Susan Reynolds - Correct.

Commissioner Murphy - That's pretty good.

Susan Reynolds - We want to preserve that space for those opportunities. Because in the past, like the last RFP we had was for the old Jelly space and it needs over a million dollars' worth of work. That's a hurdle that a lot of our local small businesses can't take advantage of. Because this was a turnkey operation, we thought it would be a good opportunity to open it up to the local smaller businesses.

Commissioner Murphy - I would like to see it be the first of many but we'll see where this goes.

Monique Moyer - We have another one in mind but baby steps.

Commissioner Woo Ho - I've been involved with small business lending for a long time in my career and everybody knows that the success rate for a small business regardless of the background is very difficult. We need to say we want a small business but I think some experience and technical assistance from a CBO is not going to save somebody who can't survive. It's important that we don't think that the CBO is going to help step in and help that business survive. It just doesn't work. That's just not the way small businesses work. It's important that the size of the business, the background of the business and the financial sort viability of the business and experience is important to consider and just don't say, "Well, we've got a CBO that's going to hold the hand and that's going to help that business." Because we'll have somebody that will have a problem and then we have to start all over again.

Commissioner Adams - First of all, thank you Susan for your due diligence on this. I appreciate the wisdom and the good will of my fellow Commissioners but I personally like the idea. Also there is an option here that you get two bites at the apples. I understand what Commissioner Woo Ho is saying but I think this is a good idea. If we can work at this and have some flexibility but at the end of the day, all the Commissioners are committed and so is the Port to giving someone an opportunity and to make sure that this succeeds.

As Commissioner Brandon has said, we would like to see more minority contractors have an opportunity. It's good that the big boys and the big girls always have an equal playing field, but sometimes the small girls and boys, they need a shot too. This is a good start. We can look at it, we can learn from it and this is something good. I appreciate the presentation. We can always tweak this thing but this is a good start and you have my support.

Commissioner Katz - I also wanted to thank you, Susan, and your team. This is a creative approach to some of the concerns that all of us have expressed about making opportunities available here at the Port. This is a wonderful way to reach out to our community members and provide those opportunities. You've heard some of the comments here but I would assume that the selection panel will take a lot of those concerns and issues under advisement as they go through the

process. I would imagine that as they look at the businesses to select, they will pick those that will just need that little extra step to be strong and viable and have that support. I appreciate what you've brought forward. This can serve as a bit of a model for some other departments in the city as well.

Susan Reynolds - Thank you. We will come back with some more information and work with the CBOs as we develop the RFP and bring it back to you in April.

8. MARITIME

- A. Request authorization to amend Foreign Trade Zone No. 3 Zone Schedule 1 (tariff) containing Rules, Regulations, Rates and Charges to conform to new Foreign-Trade Zones Board Regulations. (Resolution No. 14-11)

Jim Maloney, Port's Maritime Division - I want to give you a brief presentation on the Foreign Trade Zone No. 3 Zone Schedule revision and ask that you approve the resolution in front of you. Our Zone Schedule's effectively our Foreign Trade Zone tariff which includes FTZ rules, regulations, definitions and a rate schedule. The Foreign Trade Zone Board which is an agency of the U.S. Department of Commerce, grants authority to local jurisdictions to operate Foreign Trade Zones in an effort to promote business and economic development in their local regions.

As you are aware, the Port received a Grant of Authority to operate Foreign Trade Zone No. 3 back in 1948. The success and activity associated with the Zone has ebbed and flowed over the years. When the Port terminated the relationship with our existing operator back in 2009 who operated the Foreign Trade Zone of Piers 19 and 23, the Port took over direct operation and management of the Zone at that point.

Without an operator, the Port took on direct marketing of the Zone. Due to the Port's renewed focus and efforts, the Valero Refinery was our second Zone site. They took effect in December 2011. Prior to that the Chevron refinery in Richmond was the only Foreign Trade Zone site that we had up until 2009.

We're also in the process of activating the Expeditors International Foreign Trade Zone site Brisbane. That should be activated any time now. Also we're in the process of activating the Phillips 66 refinery in Rodeo as our fourth Foreign Trade Zone site.

The Port's taking over direct management of the Foreign Trade Zone in 2009 coincided with the FTZ Board's introduction of the innovative Alternative Site Framework Program, which I'll refer to as ASF at this point, which effectively took a bricks and mortar program generally requiring activity to take place at a Port facility and turned it into a virtual program that is more readily portable to businesses throughout a multi-county ASF service area.

In 2010, the Port applied to reorganize Foreign Trade Zone No. 3 under this new ASF program and we also at the same time de-designated Piers 19 and 23. Our application for an ASF service covering San Francisco and San Mateo County was approved in October 2010. In response to requests from businesses and economic development organizations in North Bay counties, we further applied to add Marin, Solano, Contra Costa and most of Sonoma and Napa counties as well to the ASF service area and were approved for this expansion by the Foreign Trade Zone Board back in April 2013.

All along, Port staff had been marketing the benefits of the Foreign Trade Zone Program to organizations such as the San Francisco Chamber of Commerce, China SF, SFO Airport, San Mateo County Economic Development Association or SAMCEDA, Silicon Valley Economic Development Alliance, the Redwood City/San Mateo County Chamber of Commerce, Brisbane Chamber of Commerce, Sonoma County Economic Development Board, East Bay Economic Development Alliance, the City of Napa, the County of Napa, the Napa Valley Vintners Association, Napa Chamber of Commerce, SF Made, a local San Francisco Manufacturer's Association.

Also 101MFG which is another Manufacturer's Association that focuses on the Highway 101 corridor in Marin and Sonoma Counties. Also there's the Solano Economic Development Corporation as well as the Governor's Office of Economic and Business Development or GO-Biz. We organized and held our own half-day Foreign Trade Zone seminar back in June 2012 and we also sponsored similar trade events that were hosted by the U.S. Commercial Service, SF Made, the Northern California World Trade Center and the Sonoma County Economic Development Board.

There continues to be strong interest in the FTZ program throughout the area. In 2011 the Foreign Trade Zone Board embarked on an initiative to overhaul the Foreign Trade Zone regulations. This hadn't been done since 1991. The new regulations took effect in 2012 and further streamlined the program to make it relevant to businesses in the 21st century. The new regulations required each Foreign Trade Zone to update and revise their Zone Schedules and forward those to the Foreign Trade Zone Board for online publication by February 28, 2014.

This provided FTZ No. 3 to simplify and streamline our own Zone Schedule. We reduced our Schedule from 31 to 17 pages for instance, really simplified the text. It also required us to justify our fees which allow for cost recovery and some vaguely defined return on investment. We analyzed all possible costs involved in administering the Foreign Trade Zone and estimated that number to be approximately \$95,000 in 2013 and about \$55,000 of that were fixed staff time costs.

Total FTZ fees collected in 2013 were \$50,000. The Port expects to earn at least \$96,500 in FTZ fees during 2014 with the addition of the new Expeditors International and the Phillips 66 refinery sites. We believe that the FTZ No. 3 will

be self-sustaining in 2014 and beyond. The regulations do require that we continue to monitor and justify our fees in the future so we will continue to utilize the cost methodology we developed for the current fee schedule review.

The Zone Schedule revision also facilitated an opportunity to develop a sliding scale fee schedule that charges an annual fee based on the square footage of an FTZ site. We have proposed four different tiers, the lowest tier having a \$10,000 annual fee, the highest tier a \$20,000 annual fee. This scaled approach conforms with the uniform treatment provision of the regulations since like-sized Zone sites will be treated equally but it makes it easier for small and medium sized firms to afford access to the Foreign Trade Zone benefits.

This tiered fee structure is in direct response to comments we have received from the market during our conversations with businesses and economic development associations. Other FTZs in the U.S. utilize a similar tiered fee structure including Foreign Trade Zone 84 which is operated by the Port of Houston authority as well as Foreign Trade Zone 20 which is operated by the Port of Virginia.

Annual fees for existing Foreign Trade Zone sites will remain at their current levels under this plan, so there won't be any reductions in existing fees. There is additional background information on the Zone Schedule revision in the staff report, so I'll close my remarks here and take any questions that you might have.

Commissioner Woo Ho - You mentioned that the Port will receive \$96,000 in FTZ fees in 2014 versus the \$50,000 in 2013 and that's partially due to the increase of the two new zones. You have cost recovery plus as you said, "vague" rate of return. I'm trying to understand in this, and I know it's not apples to apples, because the past way the structure worked versus what you're proposing and the sliding scale etc. is different. Is the increase only due to the fact that we're adding more users onto it or is it also because of the fee increase based on cost recovery?

Jim Maloney - It's simply because we're adding additional sites at this point.

Commissioner Woo Ho - So that's all it is even though you've gone through this very detailed cost recovery.

Jim Maloney - Correct.

Commissioner Woo Ho - Secondly, you said, "It allows for a vague rate of return." What have you assumed?

Jim Maloney - We need to look into this a bit further. We're not making any actual, physical investments in a Port owned site at this point but there might be opportunity to consider investment in like investing in marketing. It's something we need to look into further and investigate the regulations and probably talk to the Foreign Zone Trade Board.

Commissioner Woo Ho - A rate of return even on a soft investment, meaning not necessarily a hard asset, is certainly acceptable in the business world.

Jim Maloney - Correct.

Commissioner Woo Ho - I think that's something. If you could come back and tell us what you think that should be sometime in the future working with finance folks. Secondly, you mentioned that this would be reviewed periodically. What do the regulations allow you in terms of re-looking at the schedule and how often do you have to publish a schedule to the public? Let's say you take a look at this and you come back and say, "Well, we've now decided that we've got a rate of return of X." Do you have to get it approved? Secondly, how often can you revise your schedule?

Jim Maloney - The Foreign Trade Zone Board for the first time is going to publish all the Zone Schedules from throughout the country on the Foreign Trade Zone Board Web site, so that will be a first under the new regulations. We've had ours published on our Web site for several years now. It's not clear how often we're supposed to review it. I think we need to say annually would be probably about the right amount but it doesn't explicitly say in the regulations. What we'll do is review it annually. We'll probably also take a look at not only cost recovery, but look at what other Zones in the area are charging as well to make sure we're competitive.

Commissioner Woo Ho - You've got almost the whole Bay except for Santa Clara and further South. Are you saying San Jose at this point charges more?

Jim Maloney – They actually charge a little bit less.

Commissioner Katz – What about Oakland?

Jim Maloney – San Jose is charging \$15,000 for an annual fee right now. Oakland is charging \$10,000 although they're in the process of reviewing their Zone Schedule and fee structure now. We're not sure what they're going to do.

Commissioner Woo Ho - I guess I was comparing the \$15K to the \$10K, but if you're saying it's the \$15K versus the \$20K.

Jim Maloney - The lower tier, we are charging \$10,000, you're right. We are lower.

Commissioner Woo Ho - Has San Jose been adding a lot of users?

Jim Maloney - They have added a couple users themselves. They added Tesla within the last two years down in Fremont. They have about 5 Zone sites, but they're talking to other folks as well. We actually were talking to a site in Benicia which was looking to build electric cars or assemble electric cars that the components were made in China. The parts were coming through the Port of

Oakland and going to Benicia for assembly. They actually were approved to become a site under our Zone. We were somewhat competing with Oakland's Foreign Trade Zone. Unfortunately that company would be operating as a Foreign Trade Zone site now except they went bankrupt. It's a company called Coda Automotive. You might be familiar with them.

Commissioner Woo Ho - The amount of money that we're talking about is not huge but it seems to me that anytime you can recover any of the Port's costs or expenditures and if the program could expand, even on the pennies and the dollars and cents here. That's the reason I've asked all these questions to keep at it because we need every dollar and penny we can recoup.

Jim Maloney - Absolutely. A lot of the automation and some of the work that we've already done is making our administrative processes more efficient. Like for instance, we've put together these Operations Agreement Templates now that we can utilize. It will be much more easy to negotiate in the future. Zone Schedule, it's a one-time big revision that we've done which will make our lives easier in the future.

The fact that we have this tiered structure will help facilitate smaller and medium sized businesses to join the program. It will also help us bring more sites in and get more revenue as well.

Commissioner Woo Ho - So we have five or six users right now?

Jim Maloney - Four actually.

Commissioner Woo Ho - We have Valero, Chevron, Phillips 66 and the one that we recruited.

Jim Maloney - Expeditors International, correct. We've got others that are in the pipeline that we are working with now and hope to bring them on board in the near future.

Commissioner Woo Ho - If one day you might have 20, just think of what that means.

Jim Maloney - That would be ideal.

Commissioner Woo Ho - That's what you should aim for.

Jim Maloney - Absolutely.

Commissioner Katz - That was very comprehensive. I want to note that Jim has offered his services to help some of the other Trade Zones as they try and improve their processes. Thank you for that.

Jim Maloney - I just got a call today from the City of Oakland. They're looking to finally submit their ASF application so belatedly. I think the Port of Oakland is pushing them on that.

Commissioner Katz - Thank you for extending the good will of the San Francisco Port.

Commissioner Adams – As you know, I'm in favor. I appreciate the comments from Commissioner Woo Ho. According to the staff report, the Zone Schedule was last revised on December 16, 2011. It's good that we update it and continue to grow it. I do agree that we have to watch our cents, but also this is an opportunity to continue to establish economic development in communities and that's what the Port's all about.

So the more we can bring on and it'd be beneficial for international trade and for our community, that's where we need to be. I'm clearly in support of this.

Jim Maloney - That's really how we're trying to position and sell it as an economic development tool for the whole region. It's an opportunity not only to help existing businesses get stronger, and be more competitive but also to attract new businesses into our area that are looking for locations where they want to locate.

Commissioner Woo Ho - It's very fortunate that we have practically the whole northern area of the Bay Area that is actually coming through the Port of San Francisco. I commend all of you for being able to achieve that.

Commissioner Katz - What kind of efforts are we taking to get the word out about the Zone in terms of prospective members?

Jim Maloney - I mentioned all the organizations that we've reached out to directly, and we're getting asked to make presentations quite frequently. In fact, the Northern California World's Trade Center's asked if I would do a webinar, a 30-40 minute webinar for their members to talk about the Zone benefits. As I mentioned, we're working with the Governor's Office. This is a great opportunity to partner with them and encourage them when they're contacted by businesses that want to locate in California that maybe they try to steer them to our direction.

In fact, they've contacted me proactively to ask how far our jurisdiction goes because they've had some companies that are looking at real specific sites within our service area but we're looking for ideas. We're intending to issue press releases when the Expeditors and Phillips 66 sites go active just so that you know, we can get the word out into the media that these sites are activated.

We're trying to get early adopters in different industry. It's one of the reasons we're talking to Oakland and the San Jose Zones. We figure we've got the similar business mix overlapping in our areas. We're trying to find different types of businesses like high tech companies or green tech, clean tech, medical

device manufacturers, you name it, apparel manufacturers. We're trying to find early adopters in each of these industries that perhaps we can get on board and then from there we can go to other businesses in the same industry and encourage them to have a closer look at it as well. We're trying to come up with all different ways of marketing the Zone. One of the ways we're trying to brainstorm in that regard is doing a collaborative effort in the Bay Area.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 14-11 was adopted.

9. FINANCE AND ADMINISTRATION

A. Request approval of the Port's Fiscal Year (FY) 2014-15 and FY 2015-16 Biennial Operating & Capital Budget. (Resolution No. 14-12)

Meghan Wallace, Port's Budget Manager - I'm seeking approval of the proposed Fiscal Year 2014-15 and 2015-16 Biennial Operating & Capital Budget. No changes have been made to the budget since the informational item on February 11, 2014, however I do hope that the five new attachments that we included with the staff report helped answer your questions and provide the detail that you were looking for at the last meeting. I'm here to answer any other questions and thank you for consideration of the staff's proposed budget.

Commissioner Woo Ho - I have a couple questions. I know we're not going back through the actuals this time but do you know actually in terms of the General Fund actual result for 2012-13 versus the projected here which is the \$100.7 million on the General Fund? I'm just trying to get a sense of whether the city actually ended up better?

Meghan Wallace - So you're talking about the City's performance?

Commissioner Woo Ho - Right, just as a general backdrop first.

Meghan Wallace - I'm sorry, I don't know how the City ended last year.

Monique Moyer – Well, they did improve. I don't know the exact, by how much off the top of my head but, generally the City's General Fund position improved quite a bit. But the expenses of the General Fund are still outstripping revenues of the General Fund and the Mayor has proposed budget instructions to General Fund departments included reductions in spending.

Commissioner Woo Ho - Right, but what you're showing us from the General Fund was because they do it every two years. Is this something that was their forecast for 2014-15 that was done in 2012 or is this an updated one?

Meghan Wallace - It's actually updated. Currently only the enterprise department such as the Port, PUC, Airport, we're the only one on a fixed two year budget.

While other City and General Fund departments do prepare two year budgets, they're still on a rolling cycle. So they actually did do a budget update in 2013-14. So in that 2013-14 budget they made projections for 2014-15 that they're having to reconcile for that and ask for additional cuts for next year's budget.

Monique Moyer - Said a little different way, you may recall that when we had our second year of a two year budget of the fiscal year, we were allowed to make adjustments up to 4%. The other City departments, this is their second year of their two year budgets. The first year of their budget, they'll be working on their second year, they'll be allowed to make much more significant adjustments and their budgets will be reviewed more diligently than we were in our second year of a fixed budget. It's not really apples to apples yet.

Commissioner Woo Ho - On the Port side, I appreciate that you did provide more information, not just in the attachments but some of the detail of the assumptions behind some of the revenue lines. The only one I wanted to ask is the interest rates on investments, what are you assuming? The actual amount that is available for investment? Because the interest income is going down. Knowing what we know that the interest rates are going up, what was the interest rate we are using on the rate of return?

Lawrence Brown - I didn't bring my exact numbers we probably used 0.65%. 0.65% for this year and for next year and the year after and that is the current average interest rate earnings that we are receiving through the first seven months of the year. Because while the Fed has made some comments that they will be increasing interest rates in the future, it hasn't happened yet and in the interests of being conservative, we were more concerned about what the actual performance on the portfolio is today.

Commissioner Woo Ho - I'm just trying to find where the opportunities are going to be. For 2014 I would agree we don't really know when the rates are going to start increasing, but for 2015 and 2016 I have a feeling that rates will definitely be up. We've been waiting for it for a long time. I just want to understand because that line's going to go up and that will be an opportunity for the Port as far as revenue is concerned. We need to understand that.

Lawrence Brown - Right, that is an opportunity. In our past projections, when we've looked at things, we have made some assumptions for very, very modest growth. It turns out historically over the last three years, even those small modest increases have not happened.

Monique Moyer - One last case, if the rates double, we would earn another \$600,000. So on the enormity of our budget, we haven't spent a lot of our time working on where interest rates might go. We'd love to see them go up on our investments, but not until we've issued our new revenue bonds. We'll be monitoring that but what would happen is if that ends up being surplus we would come back to the Commission and the Board of Supervisors and ask you to

appropriate it for a different use or normally what happens is it rolls into the capital funds that are available for the next budget cycle.

Commissioner Woo Ho - This line would either reflect that our cash balance is going down because we're using up more cash or the rate of return. Are you expecting the cash balance to go down or you just kept the average interest rate that you've used. I'm just trying to understand the assumptions behind the forecast because I don't remember the balance sheet anymore. I'm sure you presented it to us before, but I don't have that number in my head.

Lawrence Brown - The cash balances are not going down. It would be if interest rates went up, then it would generate more --

Commissioner Woo Ho - More interest income.

Lawrence Brown- Right, that would fall into the fund balance and would be available for capital or other uses.

Commissioner Woo Ho - Right now we're receiving the Transbay Environmental payment of \$550,000 and we've had presentations, and Brad is not here today, but there is a possible other transaction. I'm not saying that you should put it in the budget because it's not done yet but the possibility of the other, it's a joint project. What's the status of the PG&E project?.

Monique Moyer - It was approved unanimously today by the Board of Supervisors which is where Brad is so the transaction with PG&E just awaits the Mayor's signature and then it will be moving forward. Meghan, do you want to speak to what you assumed in the budget for that?

Meghan Wallace - Actually, we haven't assumed anything at this point but I believe it's \$15.5 million in total rent that we will receive.

Monique Moyer - One of the reasons we didn't assume it is we expect the realization on the land value to occur outside this two year period.

Commissioner Woo Ho - But there is also some sort of fee payment as I recall.

Monique Moyer - There are some fee payments and I thought you did put that in the budget.

Commissioner Woo Ho - I don't think it's in here but now you're telling us that it's been approved. I'm always looking for where the possibilities and opportunities are so I want to make sure we don't lose sight of them.

Meghan Wallace - I believe there's also a question of how we would want to invest those funds. We haven't had the discussion for the purpose of incorporating it into the budget.

Commissioner Woo Ho - That we've gotten the approval, it will be in your next cycle. You will be able to reflect it and decide how to reflect it.

Meghan Wallace - I believe so.

Monique Moyer - Counsel is asking me to clarify that the Board endorsed the term sheet today. We still have to do the actual transaction documents.

Commissioner Woo Ho - I have a question on South Beach. I didn't put the two together but South Beach Marina at this point is still negative if you just do a standalone of revenue versus expense, it's not break even yet? What's the status?

Meghan Wallace - We reflect it as being neutral in the budget because it doesn't affect our bottom line. From the Port's standpoint it's budget neutral.

Commissioner Woo Ho - But it will be reflected. It will be under our jurisdiction at some point in this budget cycle, the next two years?

Monique Moyer - As it stands now, we believe it will come back to the Port upon the final payment of the outstanding indebtedness which is in 2015 so that would capture the second year of this budget. We're still trying to negotiate the terms under which it would come back to us to make it neutral to the Port.

Commissioner Woo Ho - So we don't know yet the final answer to how to get it neutral?

Monique Moyer - We have our ideas. We haven't had them accepted.

Commissioner Woo Ho - Okay, I'll leave it at that. Lastly, in your interdepartmental programs, fire protection stood out to me as it's over \$3 million. Can you explain to me what goes into fire protection?

Meghan Wallace - That's essentially the fireboat program as well as fire inspections. It's primarily for the staff that supports the fireboat as well as inspection staff that serves along the Port waterfront. A small part of that budget is actually also for dry-docking the boat and that sort of thing but it's really for waterfront fire protection.

Commissioner Woo Ho - It just seemed like a very large expense.

Commissioner Murphy - I had some questions at the last meeting and you've answered them adequately in your brief here.

Commissioner Brandon - Thank you for adding the additional reports that I requested. They did answer a lot of questions for me, so thank you so much. I know that we're spending a lot of money on the Blue Greenway and different projects within that. I know there's a lot of dead pilings in the southern waterfront

so we're beautifying, but yet we're looking at dead pilings. Have we thought or found out what the cost would be to remove them or have they been put in the removal plan within the next five, 10 years?

Meghan Wallace - Pier 64 is an example of where we're going to be removing the pilings.

Monique Moyer - We actually are removing piling. The Pier 64 right now is somewhat of a pilot for the Port on piling removal. It was a condition of our permits for the America's Cup. About six months or so ago, Tom Carter was trying to figure out the most cost effective way to do it. In the end we determined that the most cost effective way was for the Port maintenance staff to actually do that removal. Quite a bit of it has been removed now. About three hundred piles as of today. We also have an obligation that was part of the Exploratorium transaction with BCDC to remove piles further south. It's not site-specific but we have an obligation to remove those piles. We haven't determined yet how to fund them. At the time of the Exploratorium transaction, we had an expectation that we would be able to receive funds from the Federal government through possibly the Water Resources Development Act funding which has still yet to be approved. We may need to look at other sources in time to meet our permit obligation which is 2017. The answer to your question is no, there's nothing specific in this two-year capital plan that addresses pile removal but we definitely have those obligations to fulfill.

Commissioner Brandon - Do we know what the cost is?

Monique Moyer - Under the Exploratorium permit, we estimated \$2 million to meet that regulatory requirement and that was four years ago when we made that estimate. I don't know what it's costing us to use our own manpower.

Commissioner Brandon - If we were to remove pilings from Islais Creek or Pier 70, what would the cost be?

Monique Moyer - I'm not aware that we have had any kind of analysis on that.

Commissioner Brandon - I hope it's something that we can look forward to.

Monique Moyer - Sure, I'll take it as a request that we put that forward.

Commissioner Woo Ho - On Attachment 7, Office, Bulkhead Office and Pier Shed Vacancy Rate, as of December 13, one space stood out, 501 Cesar Chavez, available 17,000 square feet. What is 501 Cesar Chavez? It's office obviously, but what is happening to that space?

Jeff Bauer, Port Leasing Manager - That's Class C Office Space. It's in the south. We're currently working with a City agency to take over the balance and potentially the entirety of the building. We've always experienced a high vacancy

rate there. Several film companies that have gone in there. They're in there for six months, they move out. So it's a tough rent.

Commissioner Woo Ho - Is it because the building is not in good condition?

Jeff Bauer - No, the building's in good condition. We maintain it. It's got a parking lot. It's at a very competitive rate. It's modified full service for \$1.25. It's a contractor's space, not where maybe an architect or someone who wants to be in proximity to downtown would want to be, but we've had three or four stable tenants in there. MUNI was the anchor tenant. They moved out about five years ago. We've had trouble renting it except for the intermittent film groups that we've had in there. I'm working with a City agency to, hopefully, take over the entirety of the building.

Commissioner Woo Ho - So it would be a City agency that might occupy the space and hopefully won't show up as 42.4% vacant?

Jeff Bauer - We hope not.

Commissioner Katz - You've answered my questions and thanks to Commissioner Woo Ho, several others I hadn't thought of.

Commissioner Mel Murphy left the meeting at 4:30 p.m.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 14-12 was adopted.

10. PLANNING AND DEVELOPMENT

- A. Request approval of Lease No. L-15771 for the EcoCenter at Heron's Head Park and surrounding 6,058 square feet of non-exclusive license area, located near the intersection of Jennings Street and Cargo Way, with the Bay Institute Aquarium Foundation, a Not For Profit California Corporation for a five-year term with two two-year options. (Resolution No. 14-13)

Carol Bach, Planning and Development - I'm happy to be back today requesting your approval of Lease No. 15771 with the Bay Institute Aquarium Foundation to lease the EcoCenter at Heron's Head Park. At your February 11, 2014 meeting, you heard from the Bay Institute Aquarium Foundation and its two partners, City College of San Francisco and the A. Philip Randolph Institute, or APRI, regarding their plans for how they propose to work together, each bringing in their different but complementary strengths to operation and program of the EcoCenter.

As you've heard, both from these organizations and from the public, the EcoCenter presents a truly unique environmental education opportunity. It was born of a community-driven initiative to help connect people in Southeast San

Francisco with the natural beauty that is provided at Heron's Head Park and also to demonstrate sustainable building technologies that reduce buildings' environmental impact.

The Bay Institute Aquarium Foundation and its partners are committed to honoring this original intent of the EcoCenter, providing a hub for environmental education and a treasured resource for the Southeast San Francisco community.

The key lease terms are consistent with the Port's standard form lease and there are some special conditions including a five-year term with two possible two-year options to be offered at the Port's discretion, rent of \$1.00 per year provided that the tenant is a non-profit organization and operates in accordance with a Port-approved operations and program plan and the Port is assuming building maintenance obligations and costs.

Since the Commission approved the award of the lease two weeks ago, the Bay Institute Aquarium Foundation and their partners have had an opportunity to flesh out their operations and program plan in further detail. That plan is an exhibit to the lease and is also an appendix to your staff report. It provides additional detail about the three partners' plans for programming at the EcoCenter.

As required by the initial RFP, the tenants will support on-going environmental education that the Port funds and provides through our partnership with the Recreation and Parks Department. Those programs have been serving well over a thousand students each year, generally from the San Francisco K-12 schools and they also support the Greenagers which is a program for teenagers who live or go to school in District 10 and are interested in service learning or environmental issues.

New programming that the Bay Institute Aquarium Foundation and its collaborators are bringing to the EcoCenter include, starting day one, the EcoCenter will be open four days a week for scheduled programs and also for park visitors to drop in. They will be creating a Community Advisory Committee which will be established by the Bay Institute Aquarium Foundation and APRI, established and co-chaired on an on-going basis by those two organizations, and that committee will help inform the development of new programming and ensure that it is engaging the local community.

APRI is bringing one of its existing after school youth programs to the EcoCenter to operate out of the EcoCenter as a home base. That after school program helps youth identify and apply for jobs, internships and other skill-building opportunities. The Bay Institute Aquarium Foundation is also initiating a new weekly program at the EcoCenter called Science Saturdays. Science Saturdays will be a mix of volunteer opportunities to work in the park, hands-on environmental education programs that might be of interest to kids and families

and lecture-based environmental education that might be of more interest to adults or working professionals or academics.

The EcoCenter will also be made available to City departments and community groups to use as meeting and assembly space. The Bay Institute Aquarium Foundation and its partners' plans for these and other activities are documented in the operations and program plan. The Bay Institute Aquarium Foundation will report quarterly to the Port on its implementation of the plan. Either the Port or the tenant may suggest revisions to the plan during the course of the lease, but in either case, any revisions will be subject to approval by the Port's Executive Director or her designee.

Upon the Commission's request we would hope to come back in the not-too-distant future and update you on the progress towards implementing the plan.

Commissioner Brandon - I notice within the MOUs there is a termination for APRI at 60 days and for CCSF it's 90 days. So if either party were to terminate --

Carol Bach - If either party were to terminate, that would constitute a change to the operations and program plan, the tenant, the Bay Institute Aquarium Foundation, would have to propose that change to the Port. Presumably at that time they would propose some substitution, or something that would supplement the loss of that capacity and that would be subject to Port approval.

Commissioner Brandon - Okay, thank you.

Commissioner Katz - Going through the operations plan, I know when this initially came forward we talked about crafting it so that the facility would be available potentially for other non-profits to use. I was trying to see, maybe I missed that but there's just a slight reference to it. As I understood it, it was not to be for any charge so I assume that's carried over in the operational plan?

Carol Bach - Yes that was something that we talked about two weeks ago and that remains part of the deal. So far, the Bay Institute Aquarium Foundation has not identified any of the programs that they're offering for which they would need to charge any sort of fees. Although the lease does allow for that in some point in the future, but that also would be subject to Port approval. It's their intent to make the EcoCenter as widely available as possible, as long as the uses are compatible.

Commissioner Katz - What I was also getting at too is if another non-profit organization wanted to come in, that similarly would fall under that.

Carol Bach - Absolutely.

Commissioner Adams - Thank you Carol for all your due diligence as I'm reading through all this and for bringing the three parties together and they were able to work it out. This will be a win-win situation for the community. For my

fellow Commissioners, I've made a commitment to go there myself on March 26 to see the EcoCenter and to understand it and hopefully maybe some of the kids from the community will be there. It's important for us as a Commission to be hands-on to actually go down there and to see it and really support it. Carol, I appreciate all your hard work and also the three partners that came together. They need to know that the Commission and the Port really supports this work. It's a good work. Thank you.

Carol Bach - Thank you very much. I appreciate the comments and I'm really looking forward to having you out at the EcoCenter to visit. I have to say really the credit for these three parties being able to work together as they have is due to them.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 14-13 was adopted.

11. NEW BUSINESS

Monique Moyer - A couple of items that I have on new business from our meeting today. (1) To expand our outreach on the pilot retail program and explain what we're going to do when we come back to you for approval on that. (2) To analyze and come back and report on a rate of return for that portion of the Foreign Trade Zone fee. (3) To analyze the cost and opportunities for pile removal in Islais Creek.

Commissioner Brandon - And Pier 70.

Monique Moyer - And Pier 70. I wanted to point out because it's been pointed out to me twice today that our meeting on April 8, 2014 is also the same day as opening day of the Giants. Right now we don't have a very big agenda, but it is our hope to bring to you an informational item on the Orton Development Transaction with an action item to follow thereafter. If for some reason you can't be at the April 8th meeting or you want to entertain changing the meeting, please let us know.

Commissioner Woo Ho - Can I just make one comment in what you said on your new business and I agree with that. I should augment what we were talking about as far as the CBO and the retail space. We need to make a distinction between bringing LBE in versus a kind of a start-up company, a small business. The space itself, no big business is going to be interested in it. It's just not big enough space to attract somebody that is of a size. We need to make a distinction between a company that is small but has been operating versus somebody that is trying to get going as a start-up. I don't know what the intent was but I guess I would be very concerned if the intent is to encourage some start-up LBE which is very different than just trying to get an LBE that has some experience into the site.

Commissioner Katz - As I understand it, the way it's written, they already have to have, I think it's three years of on-going experience. They would not be start-ups.

They would be businesses that have already been operating and functioning and give them an opportunity to come to Port property.

Commissioner Woo Ho - Which I absolutely 100% support, but I think that since we've emphasized the CBO component and the technical assistance, it kind of gives that feeling that these are businesses that are still not really solidly on their own. Businesses always need help. It's always nice to know that they have somebody but I just want to make the distinction between that and if there is a three year operating experience requirement which is the normal for anybody looking at a small business and particularly from a lending standpoint and this is a little bit similar in a sense that we'd be leasing space, we want someone who is financially viable. I just wanted to make that distinction.

Commissioner Katz - I think that is written into the requirements as I recall.

Monique Moyer - Yes, it's on page three of the staff report that, "Each respondent will have been operating for a minimum of three years. Each will have to have had a developed business plan and financial pro forma and prove their access for any needed additional financing." We do have some minimum standards there that would discourage the selection being with a start-up but your point is well-taken, Commissioner.

Commissioner Woo Ho - I'm probably going overboard here, but I think the interest is going to be enormous so I think we will have our pick.

Commissioner Katz - I wanted to follow up on some of the public comment earlier about the 15 year review of our Waterfront Land Use Plan. I'm not sure when that was scheduled for but I do think that is well taken.

Monique Moyer - Yes. Unfortunately no one from planning was here for that comment but it has been the Port's staff's position that we have been updating the Waterfront Land Use Plan as we go with each of the various Master Plans that we've done. So for example, the Master Plan for Pier 70, we consider that an update to the Waterfront Land Use Plan. Within this Ferry Building region we've talked to you a lot about conformance with the Waterfront Land Use Plan. There have been other projects like the Exploratorium that have been an update to the Waterfront Land Use Plan.

What I think Miss Woods was getting at was to publish a new document that was more comprehensive, instead of having these documents that constitute the plan but aren't located and I suspect that what she was also getting at was to check the boxes of what we have done. So for example, the Promenade of the Embarcadero was in the plan. Of course, it's been long in existence for now so I plan to speak to Byron and Diane Oshima about what that would take. I think that's what she was getting at as opposed to reconvene a big community effort and do a planning process.

Commissioner Katz - Right, I got that, and as I understood it was just a review and report on what's been accomplished.

Monique Moyer - Yes.

Commissioner Katz - If we could perhaps get an item on that.

Monique Moyer - Yes, but before I commit us, I'd like to figure out what that means, because she was very clear about wanting to see if we could do it in the next 90 days. I'll have to figure out what "it" is and we'll definitely make sure that we get back to you on that.

Commissioner Woo Ho - As a follow-up comment, Monique, we've been working on some kind of strategic visioning. When will that be coming back to the Commission.

Monique Moyer – Agreed, I'll put that on the list too but it is on my list, but informally.

Commissioner Katz - Any other new business? Any other public comment? Is there a motion to adjourn?

12. ADJOURNMENT

ACTION: Commissioner Brandon made a motion to adjourn the meeting; Commissioner Adams seconded the motion. All of the Commissioners we in favor.

Port Commission President Leslie Katz adjourned the meeting at 4:50 p.m.

